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STAT

A REPORT
TO THE
NATIONAL SECURITY COUNCIL

by

THE EXECUTIVE SECRETARY

on

UNITED STATES OBJECTIVES AND PROGRAMS FOR NATIONAL SECURITY

April 14, 1950

DECLASSIFIED

Auth: ED 11652

Date: 27 FEB 1975

By: Jeanne W. Davis

NATIONAL SECURITY COUNCIL

WASHINGTON

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NSC review(s) completed.

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Washington

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C O P Y

April 12, 1950

Dear Mr. Lay:

After consideration of the Report by the Secretaries of State and Defense, dated April 7, 1950, re-examining our objectives in peace and war and the effect of these objectives on our strategic plans, I have decided to refer that Report to the National Security Council for consideration, with the request that the National Security Council provide me with further information on the implications of the Conclusions contained therein. I am particularly anxious that the Council give me a clearer indication of the programs which are envisaged in the Report, including estimates of the probable cost of such programs.

Because of the effect of these Conclusions upon the budgetary and economic situation, it is my desire that the Economic Cooperation Administrator, the Director of the Bureau of the Budget, and the Chairman, Council of Economic Advisers, participate in the consideration of this Report by the Council, in addition to the regular participation of the Secretary of the Treasury.

Pending the urgent completion of this study, I am concerned that action on existing programs should not be postponed or delayed. In addition, it is my desire that no publicity be given to this Report or its contents without my approval.

Sincerely yours,

(SIGNED)

HARRY S. TRUMAN

Mr. James S. Lay, Jr.
Executive Secretary
National Security Council
Washington, D. C.

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A REPORT TO THE PRESIDENT
PURSUANT TO THE PRESIDENT'S DIRECTIVE
OF JANUARY 31, 1950

April 7, 1950

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TERMS OF REFERENCE

The following report is submitted in response to the President's directive of January 31 which reads:

"That the President direct the Secretary of State and the Secretary of Defense to undertake a reexamination of our objectives in peace and war and of the effect of these objectives on our strategic plans, in the light of the probable fission bomb capability and possible thermonuclear bomb capability of the Soviet Union."

The document which recommended that such a directive be issued reads in part:

"It must be considered whether a decision to proceed with a program directed toward determining feasibility pre-judges the more fundamental decisions (a) as to whether, in the event that a test of a thermonuclear weapon proves successful, such weapons should be stockpiled, or (b) if stockpiled, the conditions under which they might be used in war. If a test of a thermonuclear weapon proves successful, the pressures to produce and stockpile such weapons to be held for the same purposes for which fission bombs are then being held will be greatly increased. The question of use policy can be adequately assessed only as a part of a general reexamination of this country's strategic plans and its objectives in peace and war. Such reexamination would need to consider national policy not only with respect to possible thermonuclear weapons, but also with respect to fission weapons--viewed in the light of the probable fission bomb capability and the possible thermonuclear bomb capability of the Soviet Union. The moral, psychological, and political questions involved in this problem would need to be taken into account and be given due weight. The outcome of this reexamination would have a crucial bearing on the further question as to whether there should be a revision in the nature of the agreements, including the international control of atomic energy, which we have been seeking to reach with the U.S.S.R."

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ANALYSISI. BACKGROUNDS OF THE PRESENT WORLD CRISIS

Within the past thirty-five years the world has experienced two global wars of tremendous violence. It has witnessed two revolutions--the Russian and the Chinese--of extreme scope and intensity. It has also seen the collapse of five empires--the Ottoman, the Austro-Hungarian, German, Italian and Japanese--and the drastic decline of two major imperial systems, the British and the French. During the span of one generation, the international distribution of power has been fundamentally altered. For several centuries it had proved impossible for any one nation to gain such preponderant strength that a coalition of other nations could not in time face it with greater strength. The international scene was marked by recurring periods of violence and war, but a system of sovereign and independent states was maintained, over which no state was able to achieve hegemony.

Two complex sets of factors have now basically altered this historical distribution of power. First, the defeat of Germany and Japan and the decline of the British and French Empires have interacted with the development of the United States and the Soviet Union in such a way that power has increasingly gravitated to these two centers. Second, the Soviet Union, unlike previous aspirants to hegemony, is animated by a new fanatic faith, antithetical to our own, and seeks to impose its absolute authority over the rest of the world. Conflict has, therefore, become endemic and is waged, on the part of the Soviet Union, by violent or non-violent methods in accordance with the dictates of expediency. With the development of increasingly terrifying weapons of mass destruction, every individual faces the ever-present possibility of annihilation should the conflict enter the phase of total war.

On the one hand, the people of the world yearn for relief from the anxiety arising from the risk of atomic war. On the other hand, any substantial further extension of the area under the domination of the Kremlin would raise the possibility that no coalition adequate to confront the Kremlin with greater strength could be assembled. It is in this context that this Republic and its citizens in the ascendancy of their strength stand in their deepest peril.

The issues that face us are momentous, involving the fulfillment or destruction not only of this Republic but of civilization itself. They are issues which will not await our deliberations. With conscience and resolution this Government and the people it represents must now take new and fateful decisions.

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II. FUNDAMENTAL PURPOSE OF THE UNITED STATES

The fundamental purpose of the United States is laid down in the Preamble to the Constitution: "...to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common defence, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity." In essence, the fundamental purpose is to assure the integrity and vitality of our free society, which is founded upon the dignity and worth of the individual.

Three realities emerge as a consequence of this purpose: Our determination to maintain the essential elements of individual freedom, as set forth in the Constitution and Bill of Rights; our determination to create conditions under which our free and democratic system can live and prosper; and our determination to fight if necessary to defend our way of life, for which as in the Declaration of Independence, "with a firm reliance on the protection of Divine Providence, we mutually pledge to each other our lives, our Fortunes and our sacred Honor."

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III. FUNDAMENTAL DESIGN OF THE KREMLIN

The fundamental design of those who control the Soviet Union and the international communist movement is to retain and solidify their absolute power, first in the Soviet Union and second in the areas now under their control. In the minds of the Soviet leaders, however, achievement of this design requires the dynamic extension of their authority and the ultimate elimination of any effective opposition to their authority.

The design, therefore, calls for the complete subversion or forcible destruction of the machinery of government and structure of society in the countries of the non-Soviet world and their replacement by an apparatus and structure subservient to and controlled from the Kremlin. To that end Soviet efforts are now directed toward the domination of the Eurasian land mass. The United States, as the principal center of power in the non-Soviet world and the bulwark of opposition to Soviet expansion, is the principal enemy whose integrity and vitality must be subverted or destroyed by one means or another if the Kremlin is to achieve its fundamental design.

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IV. THE UNDERLYING CONFLICT IN THE REALM OF IDEAS
AND VALUES BETWEEN THE U. S. PURPOSE AND THE
KREMLIN DESIGN

A. Nature of conflict:

The Kremlin regards the United States as the only major threat to the achievement of its fundamental design. There is a basic conflict between the idea of freedom under a government of laws, and the idea of slavery under the grim oligarchy of the Kremlin, which has come to a crisis with the polarization of power described in Section I, and the exclusive possession of atomic weapons by the two protagonists. The idea of freedom, moreover, is peculiarly and intolerably subversive of the idea of slavery. But the converse is not true. The implacable purpose of the slave state to eliminate the challenge of freedom has placed the two great powers at opposite poles. It is this fact which gives the present polarization of power the quality of crisis.

The free society values the individual as an end in himself, requiring of him only that measure of self discipline and self restraint which make the rights of each individual compatible with the rights of every other individual. The freedom of the individual has as its counterpart, therefore, the negative responsibility of the individual not to exercise his freedom in ways inconsistent with the freedom of other individuals and the positive responsibility to make constructive use of his freedom in the building of a just society.

From this idea of freedom with responsibility derives the marvelous diversity, the deep tolerance, the lawfulness of the free society. This is the explanation of the strength of free men. It constitutes the integrity and the vitality of a free and democratic system. The free society attempts to create and maintain an environment in which every individual has the opportunity to realize his creative powers. It also explains why the free society tolerates those within it who would use their freedom to destroy it. By the same token, in relations between nations, the prime reliance of the free society is on the strength and appeal of its idea, and it feels no compulsion sooner or later to bring all societies into conformity with it.

For the free society does not fear, it welcomes, diversity. It derives its strength from its hospitality even to antipathetic ideas. It is a market for free trade in ideas, secure in its faith that free men will take the best wares, and grow to a fuller and better realization of their powers in exercising their choice.

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The idea of freedom is the most contagious idea in history, more contagious than the idea of submission to authority. For the breath of freedom cannot be tolerated in a society which has come under the domination of an individual or group of individuals with a will to absolute power. Where the despot holds absolute power--the absolute power of the absolutely powerful will--all other wills must be subjugated in an act of willing submission, a degradation willed by the individual upon himself under the compulsion of a perverted faith. It is the first article of this faith that he finds and can only find the meaning of his existence in serving the ends of the system. The system becomes God, and submission to the will of God becomes submission to the will of the system. It is not enough to yield outwardly to the system--even Ghandian non-violence is not acceptable--for the spirit of resistance and the devotion to a higher authority might then remain, and the individual would not be wholly submissive.

The same compulsion which demands total power over all men within the Soviet state without a single exception, demands total power over all Communist Parties and all states under Soviet domination. Thus Stalin has said that the theory and tactics of Leninism as expounded by the Bolshevik party are mandatory for the proletarian parties of all countries. A true internationalist is defined as one who unhesitatingly upholds the position of the Soviet Union and in the satellite states true patriotism is love of the Soviet Union. By the same token the "peace policy" of the Soviet Union, described at a Party Congress as "a more advantageous form of fighting capitalism", is a device to divide and immobilize the non-Communist world, and the peace the Soviet Union seeks is the peace of total conformity to Soviet policy.

The antipathy of slavery to freedom explains the iron curtain, the isolation, the autarchy of the society whose end is absolute power. The existence and persistence of the idea of freedom is a permanent and continuous threat to the foundation of the slave society; and it therefore regards as intolerable the long continued existence of freedom in the world. What is new, what makes the continuing crisis, is the polarization of power which now inescapably confronts the slave society with the free.

The assault on free institutions is world-wide now, and in the context of the present polarization of power a defeat of free institutions anywhere is a defeat everywhere. The shock we sustained in the destruction of Czechoslovakia was not in the measure of Czechoslovakia's material importance to us. In a material sense, her capabilities were already at Soviet disposal. But when the integrity of Czechoslovak institutions was destroyed, it was in the intangible scale of values that we registered a loss more damaging than the material loss we had already suffered.

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Thus unwillingly our free society finds itself mortally challenged by the Soviet system. No other value system is so wholly irreconcilable with ours, so implacable in its purpose to destroy ours, so capable of turning to its own uses the most dangerous and divisive trends in our own society, no other so skillfully and powerfully evokes the elements of irrationality in human nature everywhere, and no other has the support of a great and growing center of military power.

B. Objectives:

The objectives of a free society are determined by its fundamental values and by the necessity for maintaining the material environment in which they flourish. Logically and in fact, therefore, the Kremlin's challenge to the United States is directed not only to our values but to our physical capacity to protect their environment. It is a challenge which encompasses both peace and war and our objectives in peace and war must take account of it.

1. Thus we must make ourselves strong, both in the way in which we affirm our values in the conduct of our national life, and in the development of our military and economic strength.

2. We must lead in building a successfully functioning political and economic system in the free world. It is only by practical affirmation, abroad as well as at home, of our essential values, that we can preserve our own integrity, in which lies the real frustration of the Kremlin design.

3. But beyond thus affirming our values our policy and actions must be such as to foster a fundamental change in the nature of the Soviet system, a change toward which the frustration of the design is the first and perhaps the most important step. Clearly it will not only be less costly but more effective if this change occurs to a maximum extent as a result of internal forces in Soviet society.

In a shrinking world, which now faces the threat of atomic warfare, it is not an adequate objective merely to seek to check the Kremlin design, for the absence of order among nations is becoming less and less tolerable. This fact imposes on us, in our own interests, the responsibility of world leadership. It demands that we make the attempt, and accept the risks inherent in it, to bring about order and justice by means consistent with the principles of freedom and democracy. We should limit our requirement of the Soviet Union to its participation with other nations on the basis of equality and respect for the rights of others. Subject to this requirement, we must with our allies and the former subject peoples seek to create a world society based on the principle of consent. Its framework cannot be inflexible. It will consist of many national communities of great and varying

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abilities and resources, and hence of war potential. The seeds of conflicts will inevitably exist or will come into being. To acknowledge this is only to acknowledge the impossibility of a final solution. Not to acknowledge it can be fatally dangerous in a world in which there are no final solutions.

All these objectives of a free society are equally valid and necessary in peace and war. But every consideration of devotion to our fundamental values and to our national security demands that we seek to achieve them by the strategy of the cold war. It is only by developing the moral and material strength of the free world that the Soviet regime will become convinced of the falsity of its assumptions and that the pre-conditions for workable agreements can be created. By practically demonstrating the integrity and vitality of our system the free world widens the area of possible agreement and thus can hope gradually to bring about a Soviet acknowledgement of realities which in sum will eventually constitute a frustration of the Soviet design. Short of this, however, it might be possible to create a situation which will induce the Soviet Union to accommodate itself, with or without the conscious abandonment of its design, to coexistence on tolerable terms with the non-Soviet world. Such a development would be a triumph for the idea of freedom and democracy. It must be an immediate objective of United States policy.

There is no reason, in the event of war, for us to alter our over-all objectives. They do not include unconditional surrender, the subjugation of the Russian peoples or a Russia shorn of its economic potential. Such a course would irrevocably unite the Russian people behind the regime which enslaves them. Rather these objectives contemplate Soviet acceptance of the specific and limited conditions requisite to an international environment in which free institutions can flourish, and in which the Russian peoples will have a new chance to work out their own destiny. If we can make the Russian people our allies in this enterprise we will obviously have made our task easier and victory more certain.

The objectives outlined in NSC 20/4 (November 23, 1948) and quoted in Chapter X, are fully consistent with the objectives stated in this paper, and they remain valid. The growing intensity of the conflict which has been imposed upon us, however, requires the changes of emphasis and the additions that are apparent. Coupled with the probable fission bomb capability and possible thermonuclear bomb capability of the Soviet Union, the intensifying struggle requires us to face the fact that we can expect no lasting abatement of the crisis unless and until a change occurs in the nature of the Soviet system.

C. Means:

The free society is limited in its choice of means to achieve its ends.

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Compulsion is the negation of freedom, except when it is used to enforce the rights common to all. The resort to force, internally or externally, is therefore a last resort for a free society. The act is permissible only when one individual or groups of individuals within it threaten the basic rights of other individuals or when another society seeks to impose its will upon it. The free society cherishes and protects as fundamental the rights of the minority against the will of a majority, because these rights are the inalienable rights of each and every individual.

The resort to force, to compulsion, to the imposition of its will is therefore a difficult and dangerous act for a free society, which is warranted only in the face of even greater dangers. The necessity of the act must be clear and compelling; the act must commend itself to the overwhelming majority as an inescapable exception to the basic idea of freedom; or the regenerative capacity of free men after the act has been performed will be endangered.

The Kremlin is able to select whatever means are expedient in seeking to carry out its fundamental design. Thus it can make the best of several possible worlds, conducting the struggle on those levels where it considers it profitable and enjoying the benefits of a pseudo-peace on those levels where it is not ready for a contest. At the ideological or psychological level, in the struggle for men's minds, the conflict is world-wide. At the political and economic level, within states and in the relations between states, the struggle for power is being intensified. And at the military level, the Kremlin has thus far been careful not to commit a technical breach of the peace, although using its vast forces to intimidate its neighbors, and to support an aggressive foreign policy, and not hesitating through its agents to resort to arms in favorable circumstances. The attempt to carry out its fundamental design is being pressed, therefore, with all means which are believed expedient in the present situation, and the Kremlin has inextricably engaged us in the conflict between its design and our purpose.

We have no such freedom of choice, and least of all in the use of force. Resort to war is not only a last resort for a free society, but it is also an act which cannot definitively end the fundamental conflict in the realm of ideas. The idea of slavery can only be overcome by the timely and persistent demonstration of the superiority of the idea of freedom. Military victory alone would only partially and perhaps only temporarily affect the fundamental conflict, for although the ability of the Kremlin to threaten our security might be for a time destroyed, the resurgence of totalitarian forces and the re-establishment of the Soviet system or its equivalent would not be long delayed unless great progress were made in the fundamental conflict.

Practical and ideological considerations therefore both impel us to the conclusion that we have no choice but to demonstrate the

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superiority of the idea of freedom by its constructive application, and to attempt to change the world situation by means short of war in such a way as to frustrate the Kremlin design and hasten the decay of the Soviet system.

For us the role of military power is to serve the national purpose by deterring an attack upon us while we seek by other means to create an environment in which our free society can flourish, and by fighting, if necessary, to defend the integrity and vitality of our free society and to defeat any aggressor. The Kremlin uses Soviet military power to back up and serve the Kremlin design. It does not hesitate to use military force aggressively if that course is expedient in the achievement of its design. The differences between our fundamental purpose and the Kremlin design, therefore, are reflected in our respective attitudes toward and use of military force.

Our free society, confronted by a threat to its basic values, naturally will take such action, including the use of military force, as may be required to protect those values. The integrity of our system will not be jeopardized by any measures, covert or overt, violent or non-violent, which serve the purposes of frustrating the Kremlin design, nor does the necessity for conducting ourselves so as to affirm our values in actions as well as words forbid such measures, provided only they are appropriately calculated to that end and are not so excessive or misdirected as to make us enemies of the people instead of the evil men who have enslaved them.

But if war comes, what is the role of force? Unless we so use it that the Russian people can perceive that our effort is directed against the regime and its power for aggression, and not against their own interests, we will unite the regime and the people in the kind of last ditch fight in which no underlying problems are solved, new ones are created, and where our basic principles are obscured and compromised. If we do not in the application of force demonstrate the nature of our objectives we will, in fact, have compromised from the outset our fundamental purpose. In the words of the Federalist (No. 28) "The means to be employed must be proportioned to the extent of the mischief." The mischief may be a global war or it may be a Soviet campaign for limited objectives. In either case we should take no avoidable initiative which would cause it to become a war of annihilation, and if we have the forces to defeat a Soviet drive for limited objectives it may well be to our interest not to let it become a global war. Our aim in applying force must be to compel the acceptance of terms consistent with our objectives, and our capabilities for the application of force should, therefore, within the limits of what we can sustain over the long pull, be congruent to the range of tasks which we may encounter.

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V. SOVIET INTENTIONS AND CAPABILITIESA. Political and Psychological

The Kremlin's design for world domination begins at home. The first concern of a despotic oligarchy is that the local base of its power and authority be secure. The massive fact of the iron curtain isolating the Soviet peoples from the outside world, the repeated political purges within the U.S.S.R. and the institutionalized crimes of the MVD are evidence that the Kremlin does not feel secure at home and that "the entire coercive force of the socialist state" is more than ever one of seeking to impose its absolute authority over "the economy, manner of life, and consciousness of people", (Vyshinski, "The Law of the Soviet State", P. 74). Similar evidence in the satellite states of Eastern Europe leads to the conclusion that this same policy, in less advanced phases, is being applied to the Kremlin's colonial areas.

Being a totalitarian dictatorship, the Kremlin's objectives in these policies is the total subjective submission of the peoples now under its control. The concentration camp is the prototype of the society which these policies are designed to achieve, a society in which the personality of the individual is so broken and perverted that he participates affirmatively in his own degradation.

The Kremlin's policy toward areas not under its control is the elimination of resistance to its will and the extension of its influence and control. It is driven to follow this policy because it cannot, for the reasons set forth in Chapter IV, tolerate the existence of free societies; to the Kremlin the most mild and inoffensive free society is an affront, a challenge and a subversive influence. Given the nature of the Kremlin, and the evidence at hand, it seems clear that the ends toward which this policy is directed are the same as those where its control has already been established.

The means employed by the Kremlin in pursuit of this policy are limited only by considerations of expediency. Doctrine is not a limiting factor; rather it dictates the employment of violence, subversion and deceit, and rejects moral considerations. In any event, the Kremlin's conviction of its own infallibility has made its devotion to theory so subjective that past or present pronouncements as to doctrine offer no reliable guide to future actions. The only apparent restraints on resort to war are, therefore, calculations of practicality.

With particular reference to the United States, the Kremlin's strategic and tactical policy is affected by its estimate that we are not only the greatest immediate obstacle which stands between

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it and world domination, we are also the only power which could release forces in the free and Soviet worlds which could destroy it. The Kremlin's policy toward us is consequently animated by a peculiarly virulent blend of hatred and fear. Its strategy has been one of attempting to undermine the complex of forces, in this country and in the rest of the free world, on which our power is based. In this it has both adhered to doctrine and followed the sound principle of seeking maximum results with minimum risks and commitments. The present application of this strategy is a new form of expression for traditional Russian caution. However, there is no justification in Soviet theory or practice for predicting that, should the Kremlin become convinced that it could cause our downfall by one conclusive blow, it would not seek that solution.

In considering the capabilities of the Soviet world, it is of prime importance to remember that, in contrast to ours, they are being drawn upon close to the maximum possible extent. Also in contrast to us, the Soviet world can do more with less, - it has a lower standard of living, its economy requires less to keep it functioning and its military machine operates effectively with less elaborate equipment and organization.

The capabilities of the Soviet world are being exploited to the full because the Kremlin is inescapably militant. It is inescapably militant because it possesses and is possessed by a world-wide revolutionary movement, because it is the inheritor of Russian imperialism and because it is a totalitarian dictatorship. Persistent crisis, conflict and expansion are the essence of the Kremlin's militancy. This dynamism serves to intensify all Soviet capabilities.

Two enormous organizations, the Communist Party and the secret police, are an outstanding source of strength to the Kremlin. In the Party, it has an apparatus designed to impose at home an ideological uniformity among its people and to act abroad as an instrument of propaganda, subversion and espionage. In its police apparatus, it has a domestic repressive instrument guaranteeing under present circumstances the continued security of the Kremlin. The demonstrated capabilities of these two basic organizations, operating openly or in disguise, in mass or through single agents, is unparalleled in history. The party, the police and the conspicuous might of the Soviet military machine together tend to create an overall impression of irresistible Soviet power among many peoples of the free world.

The ideological pretensions of the Kremlin are another great source of strength. Its identification of the Soviet system with communism, its peace campaigns and its championing of colonial peoples may be viewed with apathy, if not cynicism, by the oppressed

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totalitarian of the Soviet world, but in the free world these ideas find favorable responses in vulnerable segments of society. They have found a particularly receptive audience in Asia, especially as the Asiatics have been impressed by what has been plausibly portrayed to them as the rapid advance of the U.S.S.R. from a backward society to a position of great world power. Thus, in its pretensions to being (a) the source of a new universal faith and (b) the model "scientific" society, the Kremlin cynically identifies itself with the genuine aspirations of large numbers of people, and places itself at the head of an international crusade with all of the benefits which derive therefrom.

Finally, there is a category of capabilities, strictly speaking neither institutional nor ideological, which should be taken into consideration. The extraordinary flexibility of Soviet tactics is certainly a strength. It derives from the utterly amoral and opportunistic conduct of Soviet policy. Combining this quality with the elements of secrecy, the Kremlin possesses a formidable capacity to act with the widest tactical latitude, with stealth and with speed.

The greatest vulnerability of the Kremlin lies in the basic nature of its relations with the Soviet people.

That relationship is characterized by universal suspicion, fear and denunciation. It is a relationship in which the Kremlin relies, not only for its power but its very survival, on intricately devised mechanisms of coercion. The Soviet monolith is held together by the iron curtain around it and the iron bars within it, not by any force of natural cohesion. These artificial mechanisms of unity have never been intelligently challenged by a strong outside force. The full measure of their vulnerability is therefore not yet evident.

The Kremlin's relations with its satellites and their peoples is likewise a vulnerability. Nationalism still remains the most potent emotional-political force. The well-known ills of colonialism are compounded, however, by the excessive demands of the Kremlin that its satellites accept not only the imperial authority of Moscow but that they believe in and proclaim the ideological primacy and infallibility of the Kremlin. These excessive requirements can be made good only through extreme coercion. The result is that if a satellite feels able to effect its independence of the Kremlin, as Tito was able to do, it is likely to break away.

In short, Soviet ideas and practices run counter to the best and potentially the strongest instincts of men, and deny their most fundamental aspirations. Against an adversary which effectively affirmed the constructive and hopeful instincts of men and was capable of fulfilling their fundamental aspirations, the Soviet system might prove to be fatally weak.

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The problem of succession to Stalin is also a Kremlin vulnerability. In a system where supreme power is acquired and held through violence and intimidation, the transfer of that power may well produce a period of instability.

In a very real sense, the Kremlin is a victim of its own dynamism. This dynamism can become a weakness if it is frustrated, if in its forward thrusts it encounters a superior force which halts the expansion and exerts a superior counterpressure. Yet the Kremlin cannot relax the condition of crisis and mobilization, for to do so would be to lose its dynamism, whereas the seeds of decay within the Soviet system would begin to flourish and fructify.

The Kremlin is, of course, aware of these weaknesses. It must know that in the present world situation they are of secondary significance. So long as the Kremlin retains the initiative, so long as it can keep on the offensive unchallenged by clearly superior counter-force--spiritual as well as material--its vulnerabilities are largely inoperative and even concealed by its successes. The Kremlin has not yet been given real reason to fear and be diverted by the rot within its system.

B. Economic

The Kremlin has no economic intentions unrelated to its overall policies. Economics in the Soviet world is not an end in itself. The Kremlin's policy, in so far as it has to do with economics, is to utilize economic processes to contribute to the overall strength, particularly the war-making capacity of the Soviet system. The material welfare of the totalitariat is severely subordinated to the interests of the system.

As for capabilities, even granting optimistic Soviet reports of production, the total economic strength of the U.S.S.R. compares with that of the U.S. as roughly one to four. This is reflected not only in gross national product (1949: U.S.S.R. \$65 billion; U.S. \$250 billion), but in production of key commodities in 1949:

| | <u>U.S.</u> | <u>U.S.S.R.</u> | <u>U.S.S.R. and European Orbit Combined</u> |
|---|-------------|-----------------|---|
| Ingot Steel (Million Met. tons) | 80.4 | 21.5 | 28.0 |
| Primary aluminum (thousands Met. tons) | 617.6 | 130-135 | 140-145 |
| Electric power (billion kwh.) | 410 | 72 | 112 |
| Crude oil (million Met. tons) | 276.5 | 33.0 | 38.9 |

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Assuming the maintenance of present policies, while a large U.S. advantage is likely to remain, the Soviet Union will be steadily reducing the discrepancy between its overall economic strength and that of the U.S. by continuing to devote proportionately more to capital investment than the U.S.

But a full-scale effort by the U.S. would be capable of precipitately altering this trend. The U.S.S.R. today is on a near maximum production basis. No matter what efforts Moscow might make, only a relatively slight change in the rate of increase in overall production could be brought about. In the U.S., on the other hand, a very rapid absolute expansion could be realized. The fact remains, however, that so long as the Soviet Union is virtually mobilized, and the United States has scarcely begun to summon up its forces, the greater capabilities of the U.S. are to that extent inoperative in the struggle for power. Moreover, as the Soviet attainment of an atomic capability has demonstrated, the totalitarian state, at least in time of peace, can focus its efforts on any given project far more readily than the democratic state.

In other fields--general technological competence, skilled labor resources, productivity of labor force, etc.-- the gap between the U.S.S.R. and the U.S. roughly corresponds to the gap in production. In the field of scientific research, however, the margin of United States superiority is unclear, especially if the Kremlin can utilize European talents.

C. Military

The Soviet Union is developing the military capacity to support its design for world domination. The Soviet Union actually possesses armed forces far in excess of those necessary to defend its national territory. These armed forces are probably not yet considered by the Soviet Union to be sufficient to initiate a war which would involve the United States. This excessive strength, coupled now with an atomic capability, provides the Soviet Union with great coercive power for use in time of peace in furtherance of its objectives and serves as a deterrent to the victims of its aggression from taking any action in opposition to its tactics which would risk war.

Should a major war occur in 1950 the Soviet Union and its satellites are considered by the Joint Chiefs of Staff to be in a sufficiently advanced state of preparation immediately to undertake and carry out the following campaigns.

- a. To overrun Western Europe, with the possible exception of the Iberian and Scandinavian Peninsulas; to drive toward the oil-bearing areas of the Near and

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Middle East; and to consolidate Communist gains in the Far East;

b. To launch air attacks against the British Isles and air and sea attacks against the lines of communications of the Western Powers in the Atlantic and the Pacific;

c. To attack selected targets with atomic weapons, now including the likelihood of such attacks against targets in Alaska, Canada, and the United States. Alternatively, this capability, coupled with other actions open to the Soviet Union, might deny the United Kingdom as an effective base of operations for allied forces. It also should be possible for the Soviet Union to prevent any allied "Normandy" type amphibious operations intended to force a re-entry into the continent of Europe.

After the Soviet Union completed its initial campaigns and consolidated its positions in the Western European area, it could simultaneously conduct:

a. Full-scale air and limited sea operations against the British Isles;

b. Invasions of the Iberian and Scandinavian Peninsulas;

c. Further operations in the Near and Middle East, continued air operations against the North American continent, and air and sea operations against Atlantic and Pacific lines of communication; and

d. Diversionary attacks in other areas.

During the course of the offensive operations listed in the second and third paragraphs above, the Soviet Union will have an air defense capability with respect to the vital areas of its own and its satellites' territories which can oppose but cannot prevent allied air operations against these areas.

It is not known whether the Soviet Union possesses war reserves and arsenal capabilities sufficient to supply its satellite armies or even its own forces throughout a long war. It might not be in the interest of the Soviet Union to equip fully its satellite armies, since the possibility of defections would exist.

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It is not possible at this time to assess accurately the finite disadvantages to the Soviet Union which may accrue through the implementation of the Economic Cooperation Act of 1948, as amended, and the Mutual Defense Assistance Act of 1949. It should be expected that, as this implementation progresses, the internal security situation of the recipient nations should improve concurrently. In addition, a strong United States military position, plus increases in the armaments of the nations of Western Europe, should strengthen the determination of the recipient nations to counter Soviet moves and in event of war could be considered as likely to delay operations and increase the time required for the Soviet Union to overrun Western Europe. In all probability, although United States backing will stiffen their determination, the armaments increase under the present aid programs will not be of any major consequence prior to 1952. Unless the military strength of the Western European nations is increased on a much larger scale than under current programs and at an accelerated rate, it is more than likely that those nations will not be able to oppose even by 1960 the Soviet armed forces in war with any degree of effectiveness. Considering the Soviet Union military capability, the long-range allied military objective in Western Europe must envisage an increased military strength in that area sufficient possibly to deter the Soviet Union from a major war or, in any event, to delay materially the overrunning of Western Europe and, if feasible, to hold a bridgehead on the continent against Soviet Union offensives.

We do not know accurately what the Soviet atomic capability is but the Central Intelligence Agency intelligence estimates, concurred in by State, Army, Navy, Air Force, and Atomic Energy Commission, assign to the Soviet Union a production capability giving it a fission bomb stockpile within the following ranges:

| | |
|-------------|---------|
| By mid-1950 | 10- 20 |
| By mid-1951 | 25- 45 |
| By mid-1952 | 45- 90 |
| By mid-1953 | 70- 135 |
| By mid-1954 | 200 |

This estimate is admittedly based on incomplete coverage of Soviet activities and represents the production capabilities of known or deducible Soviet plants. If others exist, as is possible, this estimate could lead us into a feeling of superiority in our atomic stockpile that might be dangerously misleading, particularly with regard to the timing of a possible Soviet offensive. On the other hand, if the Soviet Union experiences operating difficulties, this estimate would be reduced. There is some evidence that the Soviet Union is acquiring certain materials essential to research on and development of thermonuclear weapons.

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The Soviet Union now has aircraft able to deliver the atomic bomb. Our intelligence estimates assign to the Soviet Union an atomic bomber capability already in excess of that needed to deliver available bombs. We have at present no evaluated estimate regarding the Soviet accuracy of delivery on target. It is believed that the Soviets cannot deliver their bombs on target with a degree of accuracy comparable to ours; but a planning estimate might well place it at 40-60 percent of bombs sortied. For planning purposes, therefore, the date the Soviets possess an atomic stockpile of 200 bombs would be a critical date for the United States for the delivery of 100 atomic bombs on targets in the United States would seriously damage this country.

At the time the Soviet Union has a substantial atomic stockpile and if it is assumed that it will strike a strong surprise blow and if it is assumed further that its atomic attacks will be met with no more effective defense opposition than the United States and its allies have programmed, results of those attacks could include:

- a. Laying waste to the British Isles and thus depriving the Western Powers of their use as a base;
- b. Destruction of the vital centers and of the communications of Western Europe, thus precluding effective defense by the Western Powers; and
- c. Delivering devastating attacks on certain vital centers of the United States and Canada.

The possession by the Soviet Union of a thermonuclear capability in addition to this substantial atomic stockpile would result in tremendously increased damage.

During this decade, the defensive capabilities of the Soviet Union will probably be strengthened particularly by the development and use of modern aircraft, aircraft warning and communications devices, and defensive guided missiles.

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VI. U.S. INTENTIONS AND CAPABILITIES--ACTUAL AND POTENTIALA. Political and Psychological

Our overall policy at the present time may be described as one designed to foster a world environment in which the American system can survive and flourish. It therefore rejects the concept of isolation and affirms the necessity of our positive participation in the world community.

This broad intention embraces two subsidiary policies. One is a policy which we would probably pursue even if there were no Soviet threat. It is a policy of attempting to develop a healthy international community. The other is the policy of "containment" the Soviet system. These two policies are closely interrelated and interact on one another. Nevertheless, the distinction between them is basically valid and contributes to a clearer understanding of what we are trying to do.

The policy of striving to develop a healthy international community is the long-term constructive effort which we are engaged in. It was this policy which gave rise to our vigorous sponsorship of the United Nations. It is of course the principal reason for our long continuing endeavors to create and now develop the Inter-American system. It, as much as containment, underlay our efforts to rehabilitate Western Europe. Most of our international economic activities can likewise be explained in terms of this policy.

In a world of polarized power, the policies designed to develop a healthy international community are more than ever necessary to our own strength.

As for the policy of "containment", it is one which seeks by all means short of war to (1) block further expansion of Soviet power, (2) expose the falsities of Soviet pretensions, (3) induce a retraction of the Kremlin's control and influence and (4) in general, so foster the seeds of destruction within the Soviet system that the Kremlin is brought at least to the point of modifying its behavior to conform to generally accepted international standards.

It was and continues to be cardinal in this policy that we possess superior overall power in ourselves or in dependable combination with other like-minded nations. One of the most important ingredients of power is military strength. In the concept of "containment", the maintenance of a strong military posture is deemed to be essential for two reasons: (1) as an ultimate guarantee of our national security and (2) as an indispensable backdrop to the conduct of the policy of "containment". Without

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superior aggregate military strength, in being and readily mobilizable, a policy of "containment"--which is in effect a policy of calculated and gradual coercion--is no more than a policy of bluff.

At the same time, it is essential to the successful conduct of a policy of "containment" that we always leave open the possibility of negotiation with the U.S.S.R. A diplomatic freeze--and we are in one now--tends to defeat the very purposes of "containment" because it raises tensions at the same time that it makes Soviet retractions and adjustments in the direction of moderated behavior more difficult. It also tends to inhibit our initiative and deprives us of opportunities for maintaining a moral ascendancy in our struggle with the Soviet system.

In "containment" it is desirable to exert pressure in a fashion which will avoid so far as possible directly challenging Soviet prestige, to keep open the possibility for the U.S.S.R. to retreat before pressure with a minimum loss of face and to secure political advantage from the failure of the Kremlin to yield or take advantage of the openings we leave it.

We have failed to implement adequately these two fundamental aspects of "containment". In the face of obviously mounting Soviet military strength ours has declined relatively. Partly as a by-product of this, but also for other reasons, we now find ourselves at a diplomatic impasse with the Soviet Union, with the Kremlin growing bolder, with both of us holding on grimly to what we have and with ourselves facing difficult decisions.

In examining our capabilities it is relevant to ask at the outset--capabilities for what? The answer cannot be stated solely in the negative terms of resisting the Kremlin design. It includes also our capabilities to attain the fundamental purpose of the United States, and to foster a world environment in which our free society can survive and flourish.

Potentially we have these capabilities. We know we have them in the economic and military fields. Potentially we also have them in the political and psychological fields. The vast majority of Americans are confident that the system of values which animates our society--the principles of freedom, tolerance, the importance of the individual and the supremacy of reason over will--are valid and more vital than the ideology which is the fuel of Soviet dynamism. Translated into terms relevant to the lives of other peoples--our system of values can become perhaps a powerful appeal to millions who now seek or find in authoritarianism a refuge from anxieties, bafflement and insecurity.

Essentially, our democracy also possesses a unique degree of unity. Our society is fundamentally more cohesive than the Soviet

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system, the solidarity of which is artificially created through force, fear and favor. This means that expressions of national consensus in our society are soundly and solidly based. It means that the possibility of revolution in this country is fundamentally less than that in the Soviet system.

These capabilities within us constitute a great potential force in our international relations. The potential within us of bearing witness to the values by which we live holds promise for a dynamic manifestation to the rest of the world of the vitality of our system. The essential tolerance of our world outlook, our generous and constructive impulses, and the absence of covetousness in our international relations are assets of potentially enormous influence.

These then are our potential capabilities. Between them and our capabilities currently being utilized is a wide gap of un-actualized power. In sharp contrast is the situation of the Soviet world. Its capabilities are inferior to those of our Allies and to our own. But they are mobilized close to the maximum possible extent.

The full power which resides within the American people will be evoked only through the traditional democratic process: This process requires, firstly, that sufficient information regarding the basic political, economic and military elements of the present situation be made publicly available so that an intelligent popular opinion may be formed. Having achieved a comprehension of the issues now confronting this Republic, it will then be possible for the American people and the American Government to arrive at a consensus. Out of this common view will develop a determination of the national will and a solid resolute expression of that will. The initiative in this process lies with the Government.

The democratic way is harder than the authoritarian way because, in seeking to protect and fulfill the individual, it demands of him understanding, judgment and positive participation in the increasingly complex and exacting problems of the modern world. It demands that he exercise discrimination: that while pursuing through free inquiry the search for truth he knows when he should commit an act of faith; that he distinguish between the necessity for tolerance and the necessity for just suppression. A free society is vulnerable in that it is easy for people to lapse into excesses--the excesses of a permanently open mind wishfully waiting for evidence that evil design may become noble purpose, the excess of faith becoming prejudice, the excess of tolerance degenerating into indulgence of conspiracy and the excess of resorting to suppression when more moderate measures are not only more appropriate but more effective.

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In coping with dictatorial governments acting in secrecy and with speed, we are also vulnerable in that the democratic process necessarily operates in the open and at a deliberate tempo. Weaknesses in our situation are readily apparent and subject to immediate exploitation. This Government therefore cannot afford in the face of the totalitarian challenge to operate on a narrow margin of strength. A democracy can compensate for its natural vulnerability only if it maintains clearly superior overall power in its most inclusive sense.

The very virtues of our system likewise handicap us in certain respects in our relations with our allies. While it is a general source of strength to us that our relations with our allies are conducted on a basis of persuasion and consent rather than compulsion and capitulation, it is also evident that dissent among us can become a vulnerability. Sometimes the dissent has its principal roots abroad in situations about which we can do nothing. Sometimes it arises largely out of certain weaknesses within ourselves, about which we can do something--our native impetuosity and a tendency to expect too much from people widely divergent from us.

The full capabilities of the rest of the free world are a potential increment to our own capabilities. It may even be said that the capabilities of the Soviet world, specifically the capabilities of the masses who have nothing to lose but their Soviet chains, are a potential which can be enlisted on our side.

Like our own capabilities, those of the rest of the free world exceed the capabilities of the Soviet system. Like our own they are far from being effectively mobilized and employed in the struggle against the Kremlin design. This is so because the rest of the free world lacks a sense of unity, confidence and common purpose. This is true in even the most homogeneous and advanced segment of the free world--Western Europe.

As we ourselves demonstrate power, confidence and a sense of moral and political direction, so those same qualities will be evoked in Western Europe. In such a situation, we may also anticipate a general improvement in the political tone in Latin America, Asia and Africa and the real beginnings of awakening among the Soviet totalitariat.

In the absence of affirmative decision on our part, the rest of the free world is almost certain to become demoralized. Our friends will become more than a liability to us; they can eventually become a positive increment to Soviet power.

In sum, the capabilities of our allies are, in an important sense, a function of our own. An affirmative decision to summon up the potential within ourselves would evoke the potential strength within others and add it to our own.

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B. Economic

1. Capabilities. In contrast to the war economy of the Soviet world (cf. Ch. V-B), the American economy (and the economy of the free world as a whole) is at present directed to the provision of rising standards of living. The military budget of the United States represents 6 to 7 percent of its gross national product (as against 13.8 percent for the Soviet Union). Our North Atlantic Treaty allies devoted 4.8 percent of their national product to military purposes in 1949.

This difference in emphasis between the two economies means that the readiness of the free world to support a war effort is tending to decline relative to that of the Soviet Union. There is little direct investment in production facilities for military end-products and in dispersal. There are relatively few men receiving military training and a relatively low rate of production of weapons. However, given time to convert to a war effort, the capabilities of the United States economy and also of the Western European economy would be tremendous. In the light of Soviet military capabilities, a question which may be of decisive importance in the event of war is the question whether there will be time to mobilize our superior human and material resources for a war effort (cf. Chs. VIII and IX).

The capability of the American economy to support a build-up of economic and military strength at home and to assist a build-up abroad is limited not, as in the case of the Soviet Union, so much by the ability to produce as by the decision on the proper allocation of resources to this and other purposes. Even Western Europe could afford to assign a substantially larger proportion of its resources to defense, if the necessary foundation in public understanding and will could be laid, and if the assistance needed to meet its dollar deficit were provided.

A few statistics will help to clarify this point.

Percentage of Gross Available Resources
Allocated to Investment, National Defense,
and Consumption in East & West, 1949.

(in percent of total)

| <u>COUNTRY</u> | <u>GROSS</u> <u>INVESTMENT</u> | <u>DEFENSE</u> | <u>CONSUMPTION</u> |
|----------------|-----------------------------------|----------------|--------------------|
| U.S.S.R. | 25.4 | 13.8 | 60.8 |
| Soviet Orbit | 22.0 a/ | 4.0 b/ | 74.0 a/ |

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| <u>COUNTRY</u> | <u>GROSS INVESTMENT</u> | <u>DEFENSE</u> | <u>CONSUMPTION</u> |
|------------------------|-----------------------------|----------------|--------------------|
| U.S. | 13.6 | 6.5 | 79.9 |
| European NAP countries | 20.4 | 4.8 | 74.8 |

a/ Crude estimate.

b/ Includes Soviet Zone of Germany; otherwise 5 percent.

The Soviet Union is now allocating nearly 40 percent of its gross available resources to military purposes and investment, much of which is in war-supporting industries. It is estimated that even in an emergency the Soviet Union could not increase this proportion to much more than 50 percent, or by one-fourth. The United States, on the other hand, is allocating only about 20 percent of its resources to defense and investment (or 22 percent including foreign assistance), and little of its investment outlays are directed to war-supporting industries. In an emergency the United States could allocate more than 50 percent of its resources to military purposes and foreign assistance, or five to six times as much as at present.

The same point can be brought out by statistics on the use of important products. The Soviet Union is using 14 percent of its ingot steel, 47 percent of its primary aluminum, and 18.5 percent of its crude oil for military purposes, while the corresponding percentages for the United States are 1.7, 8.6, and 5.6. Despite the tremendously larger production of these goods in the United States than the Soviet Union, the latter is actually using, for military purposes, nearly twice as much steel as the United States and 8 to 26 percent more aluminum.

Perhaps the most impressive indication of the economic superiority of the free world over the Soviet world which can be made on the basis of available data is provided in the following comparisons (based mainly on the Economic Survey of Europe, 1948):

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Comparative Statistics on Economic
Capabilities of East and West

| | U.S. 1948-9 | European NAT Countries 1948-9 | Total | USSR (1950 Plan) | Satel- lites 1948-9 | Total |
|---|----------------|--|-------|------------------------|---------------------------|-------|
| Population (millions) | 149 | 173 | 322 | 198 a/ | 75 | 273 |
| Employment in non-Agricultural Establishments (millions) | 45 | -- | -- | 31 a/ | -- | -- |
| Gross National Production (billion dollars) | 250 | 84 | 334 | 65 a/ | 21 | 86 |
| National Income per capita (current dollars) | 1700 | 480 | 1040 | 330 | 280 | 315 |
| Production Data ^{b/} : | | | | | | |
| Coal (million tons) | 582 | 306 | 888 | 250 | 88 | 338 |
| Electric Power (billion KWH) | 356 | 124 | 480 | 82 | 15 | 97 |
| Crude Petroleum (million tons) | 277 | 1 | 278 | 35 | 5 | 40 |
| Pig Iron (million tons) | 55 | 24 | 79 | 19.5 | 3.2 | 22.7 |
| Steel (million tons) | 80 | 32 | 112 | 25 | 6 | 31 |
| Cement (million tons) | 35 | 21 | 56 | 10.5 | 2.1 | 12.6 |
| Motor Vehicles (thousands) | 5273 | 580 | 5853 | 500 | 25 | 525 |

a/ 1949 data.

b/ For the European NAT countries and for the satellites,
the data include only output by major producers.

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April 14, 1950

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NOTE BY THE EXECUTIVE SECRETARY

to the

NATIONAL SECURITY COUNCIL

on

UNITED STATES OBJECTIVES AND PROGRAMS FOR NATIONAL SECURITY

References: A. NSC 20/4

B. Memo for NSC from Executive Secretary,
same subject, dated April 14, 1950

The enclosed letter by the President and the Report by the Secretaries of State and Defense referred to therein are transmitted herewith for consideration by the National Security Council, the Secretary of the Treasury, the Economic Cooperation Administrator, the Director of the Bureau of the Budget, and the Chairman, Council of Economic Advisers, at the next regularly scheduled meeting of the Council on Thursday, April 20, 1950.

A proposed procedure for carrying out the President's directive as a matter of urgency is being circulated for concurrent consideration in the reference memorandum of April 14.

It is requested that this report be handled with special security precautions in accordance with the President's desire that no publicity be given this report or its contents without his approval.

JAMES S. LAY, JR.
Executive Secretary

cc: The Secretary of the Treasury
The Economic Cooperation Administrator
The Director, Bureau of the Budget
The Chairman, Council of Economic Advisers

DECLASSIFIED
Auth: EO 11652
Date: 27 FEB 1975
By: SPRANOW DAVIS
NATIONAL SECURITY COUNCIL

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It should be noted that these comparisons understate the relative position of the NAT countries for several reasons: (1) Canada is excluded because comparable data were not available; (2) the data for the U.S.S.R. are the 1950 targets (as stated in the fourth five-year plan) rather than actual rates of production and are believed to exceed in many cases the production actually achieved; (3) the data for the European NAT countries are actual data for 1948, and production has generally increased since that time.

Furthermore, the United States could achieve a substantial absolute increase in output and could thereby increase the allocation of resources to a build-up of the economic and military strength of itself and its allies without suffering a decline in its real standard of living. Industrial production declined by 10 percent between the first quarter of 1948 and the last quarter of 1949, and by approximately one-fourth between 1944 and 1949. In March 1950 there were approximately 4,750,000 unemployed, as compared to 1,070,000 in 1943 and 670,000 in 1944. The gross national product declined slowly in 1949 from the peak reached in 1948 (\$262 billion in 1948 to an annual rate of \$256 billion in the last six months of 1949), and in terms of constant prices declined by about 20 percent between 1944 and 1948.

With a high level of economic activity, the United States could soon attain a gross national product of \$300 billion per year, as was pointed out in the President's Economic Report (January 1950). Progress in this direction would permit, and might itself be aided by, a build-up of the economic and military strength of the United States and the free world; furthermore, if a dynamic expansion of the economy were achieved, the necessary build-up could be accomplished without a decrease in the national standard of living because the required resources could be obtained by siphoning off a part of the annual increment in the gross national product. These are facts of fundamental importance in considering the courses of action open to the United States (cf. CRR IX).

2. Intentions. Foreign economic policy is a major instrument in the conduct of United States foreign relations. It is an instrument which can powerfully influence the world environment in ways favorable to the security and welfare of this country. It is also an instrument which, if unwisely formulated and employed, can do actual harm to our national interests. It is an instrument uniquely suited to our capabilities, provided we have the tenacity of purpose and the understanding requisite to a realization of its potentials. Finally, it is an instrument peculiarly appropriate to the cold war.

The preceding analysis has indicated that an essential element in a program to frustrate the Kremlin design is the develop-

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ment of a successfully functioning system among the free nations. It is clear that economic conditions are among the fundamental determinants of the will and the strength to resist subversion and aggression.

United States foreign economic policy has been designed to assist in the building of such a system and such conditions in the free world. The principal features of this policy can be summarized as follows:

- (1) assistance to Western Europe in recovery and the creation of a viable economy (the European Recovery Program);
- (2) assistance to other countries because of their special needs arising out of the war or the cold war and our special interests in or responsibility for meeting them (grant assistance to Japan, the Philippines, and Korea, loans and credits by the Export-Import Bank, the International Monetary Fund, and the International Bank to Indonesia, Yugoslavia, Iran, etc.);
- (3) assistance in the development of under-developed areas (the Point IV program and loans and credits to various countries, overlapping to some extent with those mentioned under 2);
- (4) military assistance to the North Atlantic Treaty countries, Greece, Turkey, etc.;
- (5) restriction of East-West trade in items of military importance to the East;
- (6) purchase and stockpiling of strategic materials; and
- (7) efforts to re-establish an international economy based on multilateral trade, declining trade barriers, and convertible currencies (the GATT-ITO program, the Reciprocal Trade Agreements program, the IMF-IBRD program, and the program now being developed to solve the problem of the United States balance of payments).

In both their short and long term aspects, these policies and programs are directed to the strengthening of the free world and therefore to the frustration of the Kremlin design. Despite certain inadequacies and inconsistencies, which are now being studied in connection with the problem of the United States balance of payments, the United States has generally pursued a foreign economic policy which has powerfully supported its overall objectives. The question must nevertheless be asked whether current and currently projected programs will adequately support this policy in the future, in terms both of need and urgency.

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The last year has been indecisive in the economic field. The Soviet Union has made considerable progress in integrating the satellite economies of Eastern Europe into the Soviet economy, but still faces very large problems, especially with China. The free nations have important accomplishments to record, but also have tremendous problems still ahead. On balance, neither side can claim any great advantage in this field over its relative position a year ago. The important question therefore becomes: what are the trends?

Several conclusions seem to emerge. First, the Soviet Union is widening the gap between its preparedness for war and the unpreparedness of the free world for war. It is devoting a far greater proportion of its resources to military purposes than are the free nations and, in significant components of military power, a greater absolute quantity of resources. Second, the Communist success in China, taken with the politico-economic situation in the rest of South and South-East Asia, provides a springboard for a further incursion in this troubled area. Although Communist China faces serious economic problems which may impose some strains on the Soviet economy, it is probable that the social and economic problems faced by the free nations in this area present more than offsetting opportunities for Communist expansion. Third, the Soviet Union holds positions in Europe which, if it maneuvers skillfully, could be used to do great damage to the Western European economy and to the maintenance of the Western orientation of certain countries, particularly Germany and Austria. Fourth, despite (and in part because of) the Titoist defection, the Soviet Union has accelerated its efforts to integrate satellite economy with its own and to increase the degree of autarky within the areas under its control.

Fifth, meanwhile Western Europe, with American (and Canadian) assistance, has achieved a record level of production. However, it faces the prospect of a rapid tapering off of American assistance without the possibility of achieving, by its own efforts, a satisfactory equilibrium with the dollar area. It has also made very little progress toward "economic integration", which would in the long run tend to improve its productivity and to provide an economic environment conducive to political stability. In particular, the movement towards economic integration does not appear to be rapid enough to provide Western Germany with adequate economic opportunities in the West. The United Kingdom still faces economic problems which may require a moderate but politically difficult decline in the British standard of living or more American assistance than is contemplated. At the same time, a strengthening of the British position is needed if the stability of the Commonwealth is not to be impaired and if it is to be a focus of resistance to Communist expansion in South and South-East Asia. Improvement of the British position is also vital in building

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up the defensive capabilities of Western Europe.

Sixth, throughout Asia the stability of the present moderate governments, which are more in sympathy with our purposes than any probable successor regimes would be, is doubtful. The problem is only in part an economic one. Assistance in economic development is important as a means of holding out to the peoples of Asia some prospect of improvement in standards of living under their present governments. But probably more important are a strengthening of central institutions, an improvement in administration, and generally a development of an economic and social structure within which the peoples of Asia can make more effective use of their great human and material resources.

Seventh, and perhaps most important, there are indications of a let-down of United States efforts under the pressure of the domestic budgetary situation, disillusion resulting from excessively optimistic expectations about the duration and results of our assistance programs, and doubts about the wisdom of continuing to strengthen the free nations as against preparedness measures in light of the intensity of the cold war.

Eighth, there are grounds for predicting that the United States and other free nations will within a period of a few years at most experience a decline in economic activity of serious proportions unless more positive governmental programs are developed than are now available.

In short, as we look into the future, the programs now planned will not meet the requirements of the free nations. The difficulty does not lie so much in the inadequacy or misdirection of policy as in the inadequacy of planned programs, in terms of timing or impact, to achieve our objectives. The risks inherent in this situation are set forth in the following chapter and a course of action designed to reinvigorate our efforts in order to reverse the present trends and to achieve our fundamental purpose is outlined in Chapter IX.

C. Military

The United States now possesses the greatest military potential of any single nation in the world. The military weaknesses of the United States vis-a-vis the Soviet Union, however, include its numerical inferiority in forces in being and in total manpower. Coupled with the inferiority of forces in being, the United States also lacks tenable positions from which to employ its forces in event of war and munitions power in being and readily available.

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It is true that the United States armed forces are now stronger than ever before in other times of apparent peace; it is also true that there exists a sharp disparity between our actual military strength and our commitments. The relationship of our strength to our present commitments, however, is not alone the governing factor. The world situation, as well as commitments, should govern; hence, our military strength more properly should be related to the world situation confronting us. When our military strength is related to the world situation and balanced against the likely exigencies of such a situation, it is clear that our military strength is becoming dangerously inadequate.

If war should begin in 1950, the United States and its allies will have the military capability of conducting defensive operations to provide a reasonable measure of protection to the Western Hemisphere, bases in the Western Pacific, and essential military lines of communication; and an inadequate measure of protection to vital military bases in the United Kingdom and in the Near and Middle East. We will have the capability of conducting powerful offensive air operations against vital elements of the Soviet war-making capacity.

The scale of the operations listed in the preceding paragraph is limited by the effective forces and material in being of the United States and its allies vis-a-vis the Soviet Union. Consistent with the aggressive threat facing us and in consonance with overall strategic plans, the United States must provide to its allies on a continuing basis as large amounts of military assistance as possible without serious detriment to United States operational requirements.

If the potential military capabilities of the United States and its allies were rapidly and effectively developed, sufficient forces could be produced probably to deter war, or if the Soviet Union chooses war, to withstand the initial Soviet attacks, to stabilize supporting attacks, and to retaliate in turn with even greater impact on the Soviet capabilities. From the military point of view alone, however, this would require not only the generation of the necessary military forces but also the development and stockpiling of improved weapons of all types.

Under existing peacetime conditions, a period of from two to three years is required to produce a material increase in military power. Such increased power could be provided in a somewhat shorter period in a declared period of emergency or in wartime through a full-out national effort. Any increase in military power in peacetime, however, should be related both to its probable military role in war, to the implementation of immediate and long-term United States foreign policy vis-a-vis the

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Soviet Union and to the realities of the existing situation. If such a course of increasing our military power is adopted now, the United States would have the capability of eliminating the disparity between its military strength and the exigencies of the situation we face; eventually of gaining the initiative in the "cold" war and of materially delaying if not stopping the Soviet offensives in war itself.

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VII. PRESENT RISKSA. General

It is apparent from the preceding sections that the integrity and vitality of our system is in greater jeopardy than ever before in our history. Even if there were no Soviet Union we would face the great problem of the free society, accentuated many fold in this industrial age, of reconciling order, security, the need for participation, with the requirements of freedom. We would face the fact that in a shrinking world the absence of order among nations is becoming less and less tolerable. The Kremlin design seeks to impose order among nations by means which would destroy our free and democratic system. The Kremlin's possession of atomic weapons puts new power behind its design, and increases the jeopardy to our system. It adds new strains to the uneasy equilibrium-without-order which exists in the world and raises new doubts in men's minds whether the world will long tolerate this tension without moving toward some kind of order, on somebody's terms.

The risks we face are of a new order of magnitude, commensurate with the total struggle in which we are engaged. For a free society there is never total victory, since freedom and democracy are never wholly attained, are always in the process of being attained. But defeat at the hands of the totalitarian is total defeat. These risks crowd in on us, in a shrinking world of polarized power, so as to give us no choice, ultimately, between meeting them effectively or being overcome by them.

B. Specific

It is quite clear from Soviet theory and practice that the Kremlin seeks to bring the free world under its dominion by the methods of the cold war. The preferred technique is to subvert by infiltration and intimidation. Every institution of our society is an instrument which it is sought to stultify and turn against our purposes. Those that touch most closely our material and moral strength are obviously the prime targets, labor unions, civic enterprises, schools, churches, and all media for influencing opinion. The effort is not so much to make them serve obvious Soviet ends as to prevent them from serving our ends, and thus to make them sources of confusion in our economy, our culture and our body politic. The doubts and diversities that in terms of our values are part of the merit of a free system, the weaknesses and the problems that are peculiar to it, the rights and privileges that free men enjoy, and the disorganization and destruction left in the wake of the last attack on our freedoms, all are but opportunities for the Kremlin to do its evil work. Every advantage is taken of the fact that our means of prevention and retaliation

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are limited by those principles and scruples which are precisely the ones that give our freedom and democracy its meaning for us. None of our scruples deter those whose only code is, "morality is that which serves the revolution".

Since everything that gives us or others respect for our institutions is a suitable object for attack, it also fits the Kremlin's design that where, with impunity, we can be insulted and made to suffer indignity the opportunity shall not be missed, particularly in any context which can be used to cast dishonor on our country, our system, our motives, or our methods. Thus the means by which we sought to restore our own economic health in the '30's, and now seek to restore that of the free world, come equally under attack. The military aid by which we sought to help the free world was frantically denounced by the Communists in the early days of the last war, and of course our present efforts to develop adequate military strength for ourselves and our allies are equally denounced.

At the same time the Soviet Union is seeking to create overwhelming military force, in order to back up infiltration with intimidation. In the only terms in which it understands strength, it is seeking to demonstrate to the free world that force and the will to use it are on the side of the Kremlin, that those who lack it are decadent and doomed. In local incidents it threatens and encroaches both for the sake of local gains and to increase anxiety and defeatism in all the free world.

The possession of atomic weapons at each of the opposite poles of power, and the inability (for different reasons) of either side to place any trust in the other, puts a premium on a surprise attack against us. It equally puts a premium on a more violent and ruthless prosecution of its design by cold war, especially if the Kremlin is sufficiently objective to realize the improbability of our prosecuting a preventive war. It also puts a premium on piecemeal aggression against others, counting on our unwillingness to engage in atomic war unless we are directly attacked. We run all these risks and the added risk of being confused and immobilized by our inability to weigh and choose, and pursue a firm course based on a rational assessment of each.

The risk that we may thereby be prevented or too long delayed in taking all needful measures to maintain the integrity and vitality of our system is great. The risk that our allies will lose their determination is greater. And the risk that in this manner a descending spiral of too little and too late, of doubt and recrimination, may present us with ever narrower and more desperate alternatives, is the greatest risk of all. For example, it is clear that our present weakness would prevent us from

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offering effective resistance at any of several vital pressure points. The only deterrent we can present to the Kremlin is the evidence we give that we may make any of the critical points which we cannot hold the occasion for a global war of annihilation.

The risk of having no better choice than to capitulate or precipitate a global war at any of a number of pressure points is bad enough in itself, but it is multiplied by the weakness it imparts to our position in the cold war. Instead of appearing strong and resolute we are continually at the verge of appearing and being alternately irresolute and desperate; yet it is the cold war which we must win, because both the Kremlin design, and our fundamental purpose give it the first priority.

The frustration of the Kremlin design, however, cannot be accomplished by us alone, as will appear from the analysis in Chapter IX, B. Strength at the center, in the United States, is only the first of two essential elements. The second is that our allies and potential allies do not as a result of a sense of frustration or of Soviet intimidation drift into a course of neutrality eventually leading to Soviet domination. If this were to happen in Germany the effect upon Western Europe and eventually upon us might be catastrophic.

But there are risks in making ourselves strong. A large measure of sacrifice and discipline will be demanded of the American people. They will be asked to give up some of the benefits which they have come to associate with their freedoms. Nothing could be more important than that they fully understand the reasons for this. The risks of a superficial understanding or of an inadequate appreciation of the issues are obvious and might lead to the adoption of measures which in themselves would jeopardize the integrity of our system. At any point in the process of demonstrating our will to make good our fundamental purpose, the Kremlin may decide to precipitate a general war, or in testing us, may go too far. These are risks we will invite by making ourselves strong, but they are lesser risks than those we seek to avoid. Our fundamental purpose is more likely to be defeated from lack of the will to maintain it, than from any mistakes we may make or assault we may undergo because of asserting that will. No people in history have preserved their freedom who thought that by not being strong enough to protect themselves they might prove inoffensive to their enemies.

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UNCLASSIFIEDVIII. ATOMIC ARMAMENTSA. Military Evaluation of U. S. and U.S.S.R. Atomic Capabilities.

1. The United States now has an atomic capability, including both numbers and deliverability, estimated to be adequate, if effectively utilized, to deliver a serious blow against the war-making capacity of the U.S.S.R.. It is doubted whether such a blow, even if it resulted in the complete destruction of the contemplated target systems, would cause the U.S.S.R. to sue for terms or prevent Soviet forces from occupying Western Europe against such ground resistance as could presently be mobilized. A very serious initial blow could, however, so reduce the capabilities of the U.S.S.R. to supply and equip its military organization and its civilian population as to give the United States the prospect of developing a general military superiority in a war of long duration.

2. As the atomic capability of the U.S.S.R. increases, it will have an increased ability to hit at our atomic bases and installations and thus seriously hamper the ability of the United States to carry out an attack such as that outlined above. It is quite possible that in the near future the U.S.S.R. will have a sufficient number of atomic bombs and a sufficient deliverability to raise a question whether Britain with its present inadequate air defense could be relied upon as an advance base from which a major portion of the U. S. attack could be launched.

It is estimated that, within the next four years, the U.S.S.R. will attain the capability of seriously damaging vital centers of the United States, provided it strikes a surprise blow and provided further that the blow is opposed by no more effective opposition than we now have programmed. Such a blow could so seriously damage the United States as to greatly reduce its superiority in economic potential.

Effective opposition to this Soviet capability will require among other measures greatly increased air warning systems, air defenses, and vigorous development and implementation of a civilian defense program which has been thoroughly integrated with the military defense systems.

In time the atomic capability of the U.S.S.R. can be expected to grow to a point where, given surprise and no more effective opposition than we now have programmed, the possibility of a decisive initial attack cannot be excluded.

3. In the initial phases of an atomic war, the advantages of initiative and surprise would be very great. A police state living behind an iron curtain has an enormous advantage in maintaining the necessary security and centralization of decision required to capitalize on this advantage.

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4. For the moment our atomic retaliatory capability is probably adequate to deter the Kremlin from a deliberate direct military attack against ourselves or other free peoples. However, when it calculates that it has a sufficient atomic capability to make a surprise attack on us, nullifying our atomic superiority and creating a military situation decisively in its favor, the Kremlin might be tempted to strike swiftly and with stealth. The existence of two large atomic capabilities in such a relationship might well act, therefore, not as a deterrent, but as an incitement to war.

5. A further increase in the number and power of our atomic weapons is necessary in order to assure the effectiveness of any U. S. retaliatory blow, but would not of itself seem to change the basic logic of the above points. Greatly increased general air, ground and sea strength, and increased air defense and civilian defense programs would also be necessary to provide reasonable assurance that the free world could survive an initial surprise atomic attack of the weight which it is estimated the U.S.S.R. will be capable of delivering by 1954 and still permit the free world to go on to the eventual attainment of its objectives. Furthermore, such a build-up of strength could safeguard and increase our retaliatory power, and thus might put off for some time the date when the Soviet Union could calculate that a surprise blow would be advantageous. This would provide additional time for the effects of our policies to produce a modification of the Soviet system.

6. If the U.S.S.R. develops a thermonuclear weapon ahead of the U. S., the risks of greatly increased Soviet pressure against all the free world, or an attack against the U. S., will be greatly increased.

7. If the U. S. develops a thermonuclear weapon ahead of the U.S.S.R., the U. S. should for the time being be able to bring increased pressure on the U.S.S.R..

B. Stockpiling and Use of Atomic Weapons.

1. From the foregoing analysis it appears that it would be to the long-term advantage of the United States if atomic weapons were to be effectively eliminated from national peacetime armaments; the additional objectives which must be secured if there is to be a reasonable prospect of such effective elimination of atomic weapons are discussed in Chapter IX. In the absence of such elimination and the securing of these objectives, it would appear that we have no alternative but to increase our atomic capability as rapidly as other considerations make appropriate. In either case, it appears to be imperative to increase as rapidly as possible our general air, ground and sea strength and that of our allies to a point where we are militarily not so heavily dependent on atomic weapons.

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2. As is indicated in Chapter IV, it is important that the United States employ military force only if the necessity for its use is clear and compelling and commends itself to the overwhelming majority of our people. The United States cannot therefore engage in war except as a reaction to aggression of so clear and compelling a nature as to bring the overwhelming majority of our people to accept the use of military force. In the event war comes, our use of force must be to compel the acceptance of our objectives and must be congruent to the range of tasks which we may encounter.

In the event of a general war with the U.S.S.R., it must be anticipated that atomic weapons will be used by each side in the manner it deems best suited to accomplish its objectives. In view of our vulnerability to Soviet atomic attack, it has been argued that we might wish to hold our atomic weapons only for retaliation against prior use by the U.S.S.R.. To be able to do so and still have hope of achieving our objectives, the non-atomic military capabilities of ourselves and our allies would have to be fully developed and the political weaknesses of the Soviet Union fully exploited. In the event of war, however, we could not be sure that we could move toward the attainment of these objectives without the U.S.S.R.'s resorting sooner or later to the use of its atomic weapons. Only if we had overwhelming atomic superiority and obtained command of the air might the U.S.S.R. be deterred from employing its atomic weapons as we progressed toward the attainment of our objectives.

In the event the U.S.S.R. develops by 1954 the atomic capability which we now anticipate, it is hardly conceivable that, if war comes, the Soviet leaders would refrain from the use of atomic weapons unless they felt fully confident of attaining their objectives by other means.

In the event we use atomic weapons either in retaliation for their prior use by the U.S.S.R. or because there is no alternative method by which we can attain our objectives, it is imperative that the strategic and tactical targets against which they are used be appropriate and the manner in which they are used be consistent with those objectives.

It appears to follow from the above that we should produce and stockpile thermonuclear weapons in the event they prove feasible and would add significantly to our net capability. Not enough is yet known of their potentialities to warrant a judgment at this time regarding their use in war to attain our objectives.

3. It has been suggested that we announce that we will not use atomic weapons except in retaliation against the prior use of such weapons by an aggressor. It has been argued that such a declaration would decrease the danger of an atomic attack against the United States and its allies.

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In our present situation of relative unpreparedness in conventional weapons, such a declaration would be interpreted by the U.S.S.R. as an admission of great weakness and by our allies as a clear indication that we intended to abandon them. Furthermore, it is doubtful whether such a declaration would be taken sufficiently seriously by the Kremlin to constitute an important factor in determining whether or not to attack the United States. It is to be anticipated that the Kremlin would weigh the facts of our capability far more heavily than a declaration of what we proposed to do with that capability.

Unless we are prepared to abandon our objectives, we cannot make such a declaration in good faith until we are confident that we will be in a position to attain our objectives without war, or, in the event of war, without recourse to the use of atomic weapons for strategic or tactical purposes.

C. International Control of Atomic Energy.

1. A discussion of certain of the basic considerations involved in securing effective international control is necessary to make clear why the additional objectives discussed in Chapter IX must be secured.

2. No system of international control could prevent the production and use of atomic weapons in the event of a prolonged war. Even the most effective system of international control could, of itself, only provide (a) assurance that atomic weapons had been eliminated from national peacetime armaments and (b) immediate notice of a violation. In essence, an effective international control system would be expected to assure a certain amount of time after notice of violation before atomic weapons could be used in war.

3. The time period between notice of violation and possible use of atomic weapons in war which a control system could be expected to assure depends upon a number of factors.

The dismantling of existing stockpiles of bombs and the destruction of casings and firing mechanisms could by themselves give little assurance of securing time. Casings and firing mechanisms are presumably easy to produce, even surreptitiously, and the assembly of weapons does not take much time.

If existing stocks of fissionable materials were in some way eliminated and the future production of fissionable materials effectively controlled, war could not start with a surprise atomic attack.

In order to assure an appreciable time lag between notice of violation and the time when atomic weapons might be available in quantity, it would be necessary to destroy all plants capable of making large amounts of fissionable material. Such action would, however, require a moratorium on those possible peacetime uses which call for large quantities of fissionable materials.

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Effective control over the production and stockpiling of raw materials might further extend the time period which effective international control would assure. Now that the Russians have learned the technique of producing atomic weapons, the time between violation of an international control agreement and production of atomic weapons will be shorter than was estimated in 1946, except possibly in the field of thermonuclear or other new types of weapons.

4. The certainty of notice of violation also depends upon a number of factors. In the absence of good faith, it is to be doubted whether any system can be designed which will give certainty of notice of violation. International ownership of raw materials and fissionable materials and international ownership and operation of dangerous facilities, coupled with inspection based on continuous unlimited freedom of access to all parts of the Soviet Union (as well as to all parts of the territory of other signatories to the control agreement) appear to be necessary to give the requisite degree of assurance against secret violations. As the Soviet stockpile of fissionable materials grows, the amount which the U.S.S.R. might secretly withhold and not declare to the inspection agency grows. In this sense, the earlier an agreement is consummated the greater the security it would offer. The possibility of successful secret production operations also increases with developments which may reduce the size and power consumption of individual reactors. The development of a thermonuclear bomb would increase many fold the damage a given amount of fissionable material could do and would, therefore, vastly increase the danger that a decisive advantage could be gained through secret operations.

5. The relative sacrifices which would be involved in international control need also to be considered. If it were possible to negotiate an effective system of international control the United States would presumably sacrifice a much larger stockpile of atomic weapons and a much larger production capacity than would the U.S.S.R. The opening up of national territory to international inspection involved in an adequate control and inspection system would have a far greater impact on the U.S.S.R. than on the United States. If the control system involves the destruction of all large reactors and thus a moratorium on certain possible peacetime uses, the U.S.S.R. can be expected to argue that it, because of greater need for new sources of energy, would be making a greater sacrifice in this regard than the United States.

6. The United States and the peoples of the world as a whole desire a respite from the dangers of atomic warfare. The chief difficulty lies in the danger that the respite would be short and that we might not have adequate notice of its pending termination. For such an arrangement to be in the interest of the United States, it is essential that the agreement be entered into in good faith by both sides and the probability against its violation high.

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7. The most substantial contribution to security of an effective international control system would, of course, be the opening up of the Soviet Union, as required under the U. N. plan. Such opening up is not, however, compatible with the maintenance of the Soviet system in its present rigor. This is a major reason for the Soviet refusal to accept the U. N. plan.

The studies which began with the Acheson-Lillienthal committee and culminated in the present U. N. plan made it clear that inspection of atomic facilities would not alone give the assurance of control; but that ownership and operation by an international authority of the world's atomic energy activities from the mine to the last use of fissionable materials was also essential. The delegation of sovereignty which this implies is necessary for effective control and, therefore, is as necessary for the United States and the rest of the free world as it is presently unacceptable to the Soviet Union.

It is also clear that a control authority not susceptible directly or indirectly to Soviet domination is equally essential. As the Soviet Union would regard any country not under its domination as under the potential if not the actual domination of the United States, it is clear that what the United States and the non-Soviet world must insist on, the Soviet Union must at present reject.

The principal immediate benefit of international control would be to make a surprise atomic attack impossible, assuming the elimination of large reactors and the effective disposal of stockpiles of fissionable materials. But it is almost certain that the Soviet Union would not agree to the elimination of large reactors, unless the impracticability of producing atomic power for peaceful purposes had been demonstrated beyond a doubt. By the same token, it would not now agree to elimination of its stockpile of fissionable materials.

Finally, the absence of good faith on the part of the U.S.S.R. must be assumed until there is concrete evidence that there has been a decisive change in Soviet policies. It is to be doubted whether such a change can take place without a change in the nature of the Soviet system itself.

The above considerations make it clear that at least a major change in the relative power positions of the United States and the Soviet Union would have to take place before an effective system of international control could be negotiated. The Soviet Union would have had to have moved a substantial distance down the path of accommodation and compromise before such an arrangement would be conceivable. This conclusion is supported by the Third Report of the United Nations Atomic Energy Commission to the Security Council, May 17, 1948, in which it is stated that "...the majority of the Commission has been unable to secure...their acceptance of the

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IX. POSSIBLE COURSES OF ACTION

Introduction. Four possible courses of action by the United States in the present situation can be distinguished. They are:

a. Continuation of current policies, with current and currently projected programs for carrying out these policies;

b. Isolation;

c. War; and

d. A more rapid building up of the political, economic, and military strength of the free world than provided under a, with the purpose of reaching, if possible, a tolerable state of order among nations without war and of preparing to defend ourselves in the event that the free world is attacked.

The role of negotiation. Negotiation must be considered in relation to these courses of action. A negotiator always attempts to achieve an agreement which is somewhat better than the realities of his fundamental position would justify and which is, in any case, not worse than his fundamental position requires. This is as true in relations among sovereign states as in relations between individuals. The Soviet Union possesses several advantages over the free world in negotiations on any issue:

a. It can and does enforce secrecy on all significant facts about conditions within the Soviet Union, so that it can be expected to know more about the realities of the free world's position than the free world knows about its position;

b. It does not have to be responsive in any important sense to public opinion;

c. It does not have to consult and agree with any other countries on the terms it will offer and accept; and

d. It can influence public opinion in other countries while insulating the peoples under its control.

These are important advantages. Together with the unfavorable trend of our power position, they militate, as is shown in Section A below, against successful negotiation of a general settlement at this time. For although the United States probably now possesses, principally in atomic weapons, a force adequate to deliver a powerful blow upon the Soviet Union and to open the road to victory in a long war, it is not sufficient by itself to advance the position of the United States in the cold war.

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The problem is to create such political and economic conditions in the free world, backed by force sufficient to inhibit Soviet attack, that the Kremlin will accommodate itself to these conditions, gradually withdraw, and eventually change its policies drastically. It has been shown in Chapter VIII that truly effective control of atomic energy would require such an opening up of the Soviet Union and such evidence in other ways of its good faith and its intent to co-exist in peace as to reflect or at least initiate a change in the Soviet system.

Clearly under present circumstances we will not be able to negotiate a settlement which calls for a change in the Soviet system. What, then, is the role of negotiation?

In the first place, the public in the United States and in other free countries will require, as a condition to firm policies and adequate programs directed to the frustration of the Kremlin design, that the free world be continuously prepared to negotiate agreements with the Soviet Union on equitable terms. It is still argued by many people here and abroad that equitable agreements with the Soviet Union are possible, and this view will gain force if the Soviet Union begins to show signs of accommodation, even on unimportant issues.

The free countries must always, therefore, be prepared to negotiate and must be ready to take the initiative at times in seeking negotiation. They must develop a negotiating position which defines the issues and the terms on which they would be prepared--and at what stages--to accept agreements with the Soviet Union. The terms must be fair in the view of popular opinion in the free world. This means that they must be consistent with a positive program for peace--in harmony with the United Nations' Charter and providing, at a minimum, for the effective control of all armaments by the United Nations or a successor organization. The terms must not require more of the Soviet Union than such behavior and such participation in a world organization. The fact that such conduct by the Soviet Union is impossible without such a radical change in Soviet policies as to constitute a change in the Soviet system would then emerge as a result of the Kremlin's unwillingness to accept such terms or of its bad faith in observing them.

A sound negotiating position is, therefore, an essential element in the ideological conflict. For some time after a decision to build up strength, any offer of, or attempt at, negotiation of a general settlement along the lines of the Berkeley speech by the Secretary of State could be only a tactic.^{1/} Nevertheless, concurrently with

^{1/} The Secretary of State listed seven areas in which the Soviet Union could modify its behavior in such a way as to permit co-existence in reasonable security. These were:

1. Treaties of peace with Austria, Germany, Japan and relaxation of pressures in the Far East;
 2. Withdrawal of Soviet forces and influence from satellite area;
 3. Cooperation in the United Nations;
- (Continued on following page)

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a decision and a start on building up the strength of the free world, it may be desirable to pursue this tactic both to gain public support for the program and to minimize the immediate risks of war. It is urgently necessary for the United States to determine its negotiating position and to obtain agreement with its major allies on the purposes and terms of negotiation.

In the second place, assuming that the United States in cooperation with other free countries decides and acts to increase the strength of the free world and assuming that the Kremlin chooses the path of accommodation, it will from time to time be necessary and desirable to negotiate on various specific issues with the Kremlin as the area of possible agreement widens.

The Kremlin will have three major objectives in negotiations with the United States. The first is to eliminate the atomic capabilities of the United States; the second is to prevent the effective mobilization of the superior potential of the free world in human and material resources; and the third is to secure a withdrawal of United States forces from, and commitments to, Europe and Japan. Depending on its evaluation of its own strengths and weaknesses as against the West's (particularly the ability and will of the West to sustain its efforts), it will or will not be prepared to make important concessions to achieve these major objectives. It is unlikely that the Kremlin's evaluation is such that it would now be prepared to make significant concessions.

The objectives of the United States and other free countries in negotiations with the Soviet Union (apart from the ideological objectives discussed above) are to record, in a formal fashion which will facilitate the consolidation and further advance of our position, the process of Soviet accommodation to the new political, psychological, and economic conditions in the world which will result from adoption of the fourth course of action and which will be supported by the increasing military strength developed as an integral part of that course of action. In short, our objectives are to record, where desirable, the gradual withdrawal of the Soviet Union and to facilitate that process by making negotiation, if possible, always more expedient than resort to force.

It must be presumed that for some time the Kremlin will accept agreements only if it is convinced that by acting in bad faith whenever and wherever there is an opportunity to do so with impunity, it

1/ (Continued)

4. Control of atomic energy and of conventional armaments;
5. Abandonment of indirect aggression;
6. Proper treatment of official representatives of the U. S.;
7. Increased access to the Soviet Union of persons and ideas from other countries.

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can derive greater advantage from the agreements than the free world. For this reason, we must take care that any agreements are enforceable or that they are not susceptible of violation without detection and the possibility of effective counter-measures.

This further suggests that we will have to consider carefully the order in which agreements can be concluded. Agreement on the control of atomic energy would result in a relatively greater disarmament of the United States than of the Soviet Union, even assuming considerable progress in building up the strength of the free world in conventional forces and weapons. It might be accepted by the Soviet Union as part of a deliberate design to move against Western Europe and other areas of strategic importance with conventional forces and weapons. In this event, the United States would find itself at war, having previously disarmed itself in its most important weapon, and would be engaged in a race to redevelop atomic weapons.

This seems to indicate that for the time being the United States and other free countries would have to insist on concurrent agreement on the control of non-atomic forces and weapons and perhaps on the other elements of a general settlement, notably peace treaties with Germany, Austria, and Japan and the withdrawal of Soviet influence from the satellites. If, contrary to our expectations, the Soviet Union should accept agreements promising effective control of atomic energy and conventional armaments, without any other changes in Soviet policies, we would have to consider very carefully whether we could accept such agreements. It is unlikely that this problem will arise.

To the extent that the United States and the rest of the free world succeed in so building up their strength in conventional forces and weapons that a Soviet attack with similar forces could be thwarted or held, we will gain increased flexibility and can seek agreements on the various issues in any order, as they become negotiable.

In the third place, negotiation will play a part in the building up of the strength of the free world, apart from the ideological strength discussed above. This is most evident in the problems of Germany, Austria and Japan. In the process of building up strength, it may be desirable for the free nations, without the Soviet Union, to conclude separate arrangements with Japan, Western Germany, and Austria which would enlist the energies and resources of these countries in support of the free world. This will be difficult unless it has been demonstrated by attempted negotiation with the Soviet Union that the Soviet Union is not prepared to accept treaties of peace which would leave these countries free, under adequate safeguards, to participate in the United Nations and in regional or broader associations of states consistent with the United Nations' Charter and providing security and adequate opportunities for the peaceful development of their political and economic life.

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This demonstrates the importance, from the point of view of negotiation as well as for its relationship to the building up of the strength of the free world (see Section D below), of the problem of closer association--on a regional or a broader basis--among the free countries.

In conclusion, negotiation is not a possible separate course of action but rather a means of gaining support for a program of building strength, of recording, where necessary and desirable, progress in the cold war, and of facilitating further progress while helping to minimize the risks of war. Ultimately, it is our objective to negotiate a settlement with the Soviet Union (or a successor state or states) on which the world can place reliance as an enforceable instrument of peace. But it is important to emphasize that such a settlement can only record the progress which the free world will have made in creating a political and economic system in the world so successful that the frustration of the Kremlin's design for world domination will be complete. The analysis in the following sections indicates that the building of such a system requires expanded and accelerated programs for the carrying out of current policies.

A. The First Course--Continuation of Current Policies, with Current and Currently Projected Programs for Carrying out These Policies.

1. Military aspects. On the basis of current programs, the United States has a large potential military capability but an actual capability which, though improving, is declining relative to the U.S.S.R., particularly in light of its probable fission bomb capability and possible thermonuclear bomb capability. The same holds true for the free world as a whole relative to the Soviet world as a whole. If war breaks out in 1950 or in the next few years, the United States and its allies, apart from a powerful atomic blow, will be compelled to conduct delaying actions, while building up their strength for a general offensive. A frank evaluation of the requirements, to defend the United States and its vital interests and to support a vigorous initiative in the cold war, on the one hand, and of present capabilities, on the other, indicates that there is a sharp and growing disparity between them.

A review of Soviet policy shows that the military capabilities, actual and potential, of the United States and the rest of the free world, together with the apparent determination of the free world to resist further Soviet expansion, have not induced the Kremlin to relax its pressures generally or to give up the initiative in the cold war. On the contrary, the Soviet Union has consistently pursued a bold foreign policy, modified only when its probing revealed a determination and an ability of the free world to resist encroachment upon it. The relative military capabilities of the free world are declining, with the result that its determination to resist may also decline and that the security of the United States and the free world as a whole will be jeopardized.

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From the military point of view, the actual and potential capabilities of the United States, given a continuation of current and projected programs, will become less and less effective as a war deterrent. Improvement of the state of readiness will become more and more important not only to inhibit the launching of war by the Soviet Union but also to support a national policy designed to reverse the present ominous trends in international relations. A building up of the military capabilities of the United States and the free world is a precondition to the achievement of the objectives outlined in this report and to the protection of the United States against disaster.

Fortunately, the United States military establishment has been developed into a unified and effective force as a result of the policies laid down by the Congress and the vigorous carrying out of these policies by the Administration in the fields of both organization and economy. It is, therefore, a base upon which increased strength can be rapidly built with maximum efficiency and economy.

2. Political Aspects. The Soviet Union is pursuing the initiative in the conflict with the free world. Its atomic capabilities, together with its successes in the Far East, have led to an increasing confidence on its part and to an increasing nervousness in Western Europe and the rest of the free world. We cannot be sure, of course, how vigorously the Soviet Union will pursue its initiative, nor can we be sure of the strength or weakness of the other free countries in reacting to it. There are, however, ominous signs of further deterioration in the Far East. There are also some indications that a decline in morale and confidence in Western Europe may be expected. In particular, the situation in Germany is unsettled. Should the belief or suspicion spread that the free nations are not now able to prevent the Soviet Union from taking, if it chooses, the military actions outlined in Chapter V, the determination of the free countries to resist probably would lessen and there would be an increasing temptation for them to seek a position of neutrality.

Politically, recognition of the military implications of a continuation of present trends will mean that the United States and especially other free countries will tend to shift to the defensive, or to follow a dangerous policy of bluff, because the maintenance of a firm initiative in the cold war is closely related to aggregate strength in being and readily available.

This is largely a problem of the incongruity of the current actual capabilities of the free world and the threat to it, for the free world has an economic and military potential far superior to the potential of the Soviet Union and its satellites. The shadow of Soviet force falls darkly on Western Europe and Asia and supports a policy of encroachment. The free world lacks adequate means--in the form of forces in being--to thwart such expansion locally. The United States will therefore be confronted more frequently with the dilemma of reacting totally to a limited extension of Soviet control or of not reacting at all (except with ineffectual protests and half measures). Continuation of present trends is likely to lead, therefore,

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to a gradual withdrawal under the direct or indirect pressure of the Soviet Union, until we discover one day that we have sacrificed positions of vital interest. In other words, the United States would have chosen, by lack of the necessary decisions and actions, to fall back to isolation in the Western Hemisphere. This course would at best result in only a relatively brief truce and would be ended either by our capitulation or by a defensive war--on unfavorable terms from unfavorable positions--against a Soviet Empire comprising all or most of Eurasia. (See Section B.)

3. Economic and social aspects. As was pointed out in Chapter VI, the present foreign economic policies and programs of the United States will not produce a solution to the problem of international economic equilibrium, notably the problem of the dollar gap, and will not create an economic base conducive to political stability in many important free countries.

The European Recovery Program has been successful in assisting the restoration and expansion of production in Western Europe and has been a major factor in checking the dry rot of Communism in Western Europe. However, little progress has been made toward the resumption by Western Europe of a position of influence in world affairs commensurate with its potential strength. Progress in this direction will require integrated political, economic and military policies and programs, which are supported by the United States and the Western European countries and which will probably require a deeper participation by the United States than has been contemplated.

The Point IV Program and other assistance programs will not adequately supplement, as now projected, the efforts of other important countries to develop effective institutions, to improve the administration of their affairs, and to achieve a sufficient measure of economic development. The moderate regimes now in power in many countries, like India, Indonesia, Pakistan, and the Philippines, will probably be unable to restore or retain their popular support and authority unless they are assisted in bringing about a more rapid improvement of the economic and social structure than present programs will make possible.

The Executive Branch is now undertaking a study of the problem of the United States balance of payments and of the measures which might be taken by the United States to assist in establishing international economic equilibrium. This is a very important project and work on it should have a high priority. However, unless such an economic program is matched and supplemented by an equally far-sighted and vigorous political and military program, we will not be successful in checking and rolling back the Kremlin's drive.

4. Negotiation. In short, by continuing along its present course the free world will not succeed in making effective use of its vastly superior political, economic, and military potential to build a

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tolerable state of order among nations. On the contrary, the political, economic, and military situation of the free world is already unsatisfactory and will become less favorable unless we act to reverse present trends.

This situation is one which militates against successful negotiations with the Kremlin--for the terms of agreements on important pending issues would reflect present realities and would therefore be unacceptable, if not disastrous, to the United States and the rest of the free world. Unless a decision had been made and action undertaken to build up the strength, in the broadest sense, of the United States and the free world, an attempt to negotiate a general settlement on terms acceptable to us would be ineffective and probably long drawn out, and might thereby seriously delay the necessary measures to build up our strength.

This is true despite the fact that the United States now has the capability of delivering a powerful blow against the Soviet Union in the event of war, for one of the present realities is that the United States is not prepared to threaten the use of our present atomic superiority to coerce the Soviet Union into acceptable agreements. In light of present trends, the Soviet Union will not withdraw and the only conceivable basis for a general settlement would be spheres of influence and of no influence--a "settlement" which the Kremlin could readily exploit to its great advantage. The idea that Germany or Japan or other important areas can exist as islands of neutrality in a divided world is unreal, given the Kremlin design for world domination.

B. The Second Course--Isolation.

Continuation of present trends, it has been shown above, will lead progressively to the withdrawal of the United States from most of its present commitments in Europe and Asia and to our isolation in the Western Hemisphere and its approaches. This would result not from a conscious decision but from a failure to take the actions necessary to bring our capabilities into line with our commitments and thus to a withdrawal under pressure. This pressure might come from our present Allies, who will tend to seek other "solutions" unless they have confidence in our determination to accelerate our efforts to build a successfully functioning political and economic system in the free world.

There are some who advocate a deliberate decision to isolate ourselves. Superficially, this has some attractiveness as a course of action, for it appears to bring our commitments and capabilities into harmony by reducing the former and by concentrating our present, or perhaps even reduced, military expenditures on the defense of the United States.

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This argument overlooks the relativity of capabilities. With the United States in an isolated position, we would have to face the probability that the Soviet Union would quickly dominate most of Eurasia, probably without meeting armed resistance. It would thus acquire a potential far superior to our own, and would promptly proceed to develop this potential with the purpose of eliminating our power, which would, even in isolation, remain as a challenge to it and as an obstacle to the imposition of its kind of order in the world. There is no way to make ourselves inoffensive to the Kremlin except by complete submission to its will. Therefore isolation would in the end condemn us to capitulate or to fight alone and on the defensive, with drastically limited offensive and retaliatory capabilities in comparison with the Soviet Union. (These are the only possibilities, unless we are prepared to risk the future on the hazard that the Soviet Empire, because of over-extension or other reasons, will spontaneously destroy itself from within.)

The argument also overlooks the imponderable, but nevertheless drastic, effects on our belief in ourselves and in our way of life of a deliberate decision to isolate ourselves. As the Soviet Union came to dominate free countries, it is clear that many Americans would feel a deep sense of responsibility and guilt for having abandoned their former friends and allies. As the Soviet Union mobilized the resources of Eurasia, increased its relative military capabilities, and heightened its threat to our security, some would be tempted to accept "peace" on its terms, while many would seek to defend the United States by creating a regimented system which would permit the assignment of a tremendous part of our resources to defense. Under such a state of affairs our national morale would be corrupted and the integrity and vitality of our system subverted.

Under this course of action, there would be no negotiation, unless on the Kremlin's terms, for we would have given up everything of importance.

It is possible that at some point in the course of isolation, many Americans would come to favor a surprise attack on the Soviet Union and the area under its control, in a desperate attempt to alter decisively the balance of power by an overwhelming blow with modern weapons of mass destruction. It appears unlikely that the Soviet Union would wait for such an attack before launching one of its own. But even if it did and even if our attack were successful, it is clear that the United States would face appalling tasks in establishing a tolerable state of order among nations after such a war and after Soviet occupation of all or most of Eurasia for some years. These tasks appear so enormous and success so unlikely that reason dictates an attempt to achieve our objectives by other means.

C. The Third Course--War.

Some Americans favor a deliberate decision to go to war against the Soviet Union in the near future. It goes without saying that the idea of "preventive" war--in the sense of a military attack not

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provoked by a military attack upon us or our allies--is generally unacceptable to Americans. Its supporters argue that since the Soviet Union is in fact at war with the free world now and that since the failure of the Soviet Union to use all-out military force is explainable on grounds of expediency, we are at war and should conduct ourselves accordingly. Some further argue that the free world is probably unable, except under the crisis of war, to mobilize and direct its resources to the checking and rolling back of the Kremlin's drive for world dominion. This is a powerful argument in the light of history, but the considerations against war are so compelling that the free world must demonstrate that this argument is wrong. The case for war is premised on the assumption that the United States could launch and sustain an attack of sufficient impact to gain a decisive advantage for the free world in a long war and perhaps to win an early decision.

The ability of the United States to launch effective offensive operations is now limited to attack with atomic weapons. A powerful blow could be delivered upon the Soviet Union, but it is estimated that these operations alone would not force or induce the Kremlin to capitulate and that the Kremlin would still be able to use the forces under its control to dominate most or all of Eurasia. This would probably mean a long and difficult struggle during which the free institutions of Western Europe and many freedom-loving people would be destroyed and the regenerative capacity of Western Europe dealt a crippling blow.

Apart from this, however, a surprise attack upon the Soviet Union, despite the provocativeness of recent Soviet behavior, would be repugnant to many Americans. Although the American people would probably rally in support of the war effort, the shock of responsibility for a surprise attack would be morally corrosive. Many would doubt that it was a "just war" and that all reasonable possibilities for a peaceful settlement had been explored in good faith. Many more, proportionately, would hold such views in other countries, particularly in Western Europe and particularly after Soviet occupation, if only because the Soviet Union would liquidate articulate opponents. It would, therefore, be difficult after such a war to create a satisfactory international order among nations. Victory in such a war would have brought us little if at all closer to victory in the fundamental ideological conflict.

These considerations are no less weighty because they are inoperable, and they rule out an attack unless it is demonstrably in the nature of a counter-attack to a blow which is on its way or about to be delivered. (The military advantages of landing the first blow become increasingly important with modern weapons, and this is a fact which requires us to be on the alert in order to strike with our full weight as soon as we are attacked, and, if possible, before the Soviet blow is actually delivered.) If the argument of Chapter IV is accepted, it follows that there is no "easy" solution and that the

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only sure victory lies in the frustration of the Kremlin design by the steady development of the moral and material strength of the free world and its projection into the Soviet world in such a way as to bring about an internal change in the Soviet system.

D. The Remaining Course of Action--a Rapid Build-up of political, Economic, and Military Strength in the Free World

A more rapid build-up of political, economic, and military strength and thereby of confidence in the free world than is now contemplated is the only course which is consistent with progress toward achieving our fundamental purpose. The frustration of the Kremlin design requires the free world to develop a successfully functioning political and economic system and a vigorous political offensive against the Soviet Union. These, in turn, require an adequate military shield under which they can develop. It is necessary to have the military power to deter, if possible, Soviet expansion, and to defeat, if necessary, aggressive Soviet or Soviet-directed actions of a limited or total character. The potential strength of the free world is great; its ability to develop these military capabilities and its will to resist Soviet expansion will be determined by the wisdom and will with which it undertakes to meet its political and economic problems.

1. Military aspects. It has been indicated in Chapter VI that U. S. military capabilities are strategically more defensive in nature than offensive and are more potential than actual. It is evident, from an analysis of the past and of the trend of weapon development, that there is now and will be in the future no absolute defense. The history of war also indicates that a favorable decision can only be achieved through offensive action. Even a defensive strategy, if it is to be successful, calls not only for defensive forces to hold vital positions while mobilizing and preparing for the offensive, but also for offensive forces to attack the enemy and keep him off balance.

The two fundamental requirements which must be met by forces in being or readily available are support of foreign policy and protection against disaster. To meet the second requirement, the forces in being or readily available must be able, at a minimum, to perform certain basic tasks:

a. To defend the Western Hemisphere and essential allied areas in order that their war-making capabilities can be developed;

b. To provide and protect a mobilization base while the offensive forces required for victory are being built up;

c. To conduct offensive operations to destroy vital elements of the Soviet war-making capacity, and to keep the enemy off balance until the full offensive strength of the United States and its allies can be brought to bear;

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d. To defend and maintain the lines of communication and base areas necessary to the execution of the above tasks; and

e. To provide such aid to allies as is essential to the execution of their role in the above tasks.

In the broadest terms, the ability to perform these tasks requires a built-up of military strength by the United States and its allies to a point at which the combined strength will be superior for at least these tasks, both initially and throughout a war, to the forces that can be brought to bear by the Soviet Union and its satellites. In specific terms, it is not essential to match item for item with the Soviet Union, but to provide an adequate defense against air attack on the United States and Canada and an adequate defense against air and surface attack on the United Kingdom and Western Europe, Alaska, the Western Pacific, Africa, and the Near and Middle East, and on the long lines of communication to these areas. Furthermore, it is mandatory that in building up our strength, we enlarge upon our technical superiority by an accelerated exploitation of the scientific potential of the United States and our allies.

Forces of this size and character are necessary not only for protection against disaster but also to support our foreign policy. In fact, it can be argued that larger forces in being and readily available are necessary to inhibit a would-be aggressor than to provide the nucleus of strength and the mobilization base on which the tremendous forces required for victory can be built. For example, in both World Wars I and II the ultimate victors had the strength, in the end, to win though they had not had the strength in being or readily available to prevent the outbreak of war. In part, at least, this was because they had not had the military strength on which to base a strong foreign policy. At any rate, it is clear that a substantial and rapid building up of strength in the free world is necessary to support a firm policy intended to check and to roll back the Kremlin's drive for world domination.

Moreover, the United States and the other free countries do not now have the forces in being and readily available to defeat local Soviet moves with local action, but must accept reverses or make these local moves the occasion for war--for which we are not prepared. This situation makes for great uneasiness among our allies, particularly in Western Europe, for whom total war means, initially, Soviet occupation. Thus, unless our combined strength is rapidly increased, our allies will tend to become increasingly reluctant to support a firm foreign policy on our part and increasingly anxious to seek other solutions, even though they are aware that appeasement means defeat. An important advantage in adopting the fourth course of action lies in its psychological impact--the revival of confidence and hope in the future. It is recognized, of course, that any announce-

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ment of the recommended course of action could be exploited by the Soviet Union in its peace campaign and would have adverse psychological effects in certain parts of the free world until the necessary increase in strength had been achieved. Therefore, in any announcement of policy and in the character of the measures adopted, emphasis should be given to the essentially defensive character and care should be taken to minimize, so far as possible, unfavorable domestic and foreign reactions.

2. Political and economic aspects. The immediate objectives--to the achievement of which such a build-up of strength is a necessary though not a sufficient condition--are a renewed initiative in the cold war and a situation to which the Kremlin would find it expedient to accommodate itself, first by relaxing tensions and pressures and then by gradual withdrawal. The United States cannot alone provide the resources required for such a build-up of strength. The other free countries must carry their part of the burden, but their ability and determination to do it will depend on the action the United States takes to develop its own strength and on the adequacy of its foreign political and economic policies. Improvement in political and economic conditions in the free world, as has been emphasized above, is necessary as a basis for building up the will and the means to resist and for dynamically affirming the integrity and vitality of our free and democratic way of life on which our ultimate victory depends.

At the same time, we should take dynamic steps to reduce the power and influence of the Kremlin inside the Soviet Union and other areas under its control. The objective would be the establishment of friendly regimes not under Kremlin domination. Such action is essential to engage the Kremlin's attention, keep it off balance and force an increased expenditure of Soviet resources in counteraction. In other words, it would be the current Soviet cold war technique used against the Soviet Union.

A program for rapidly building up strength and improving political and economic conditions will place heavy demands on our courage and intelligence; it will be costly; it will be dangerous. But half-measures will be more costly and more dangerous, for they will be inadequate to prevent and may actually invite war. Budgetary considerations will need to be subordinated to the stark fact that our very independence as a nation may be at stake.

A comprehensive and decisive program to win the peace and frustrate the Kremlin design should be so designed that it can be sustained for as long as necessary to achieve our national objectives. It would probably involve:

- (1) The development of an adequate political and economic framework for the achievement of our long-range objectives.

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(2) A substantial increase in expenditures for military purposes adequate to meet the requirements for the tasks listed in Section D-1.

(3) A substantial increase in military assistance programs, designed to foster cooperative efforts, which will adequately and efficiently meet the requirements of our allies for the tasks referred to in Section D-1-e.

(4) Some increase in economic assistance programs and recognition of the need to continue these programs until their purposes have been accomplished.

(5) A concerted attack on the problem of the United States balance of payments, along the lines already approved by the President.

(6) Development of programs designed to build and maintain confidence among other peoples in our strength and resolution, and to wage overt psychological warfare calculated to encourage mass defections from Soviet allegiance and to frustrate the Kremlin design in other ways.

(7) Intensification of affirmative and timely measures and operations by covert means in the fields of economic warfare and political and psychological warfare with a view to fomenting and supporting unrest and revolt in selected strategic satellite countries.

(8) Development of internal security and civilian defense programs.

(9) Improvement and intensification of intelligence activities.

(10) Reduction of Federal expenditures for purposes other than defense and foreign assistance, if necessary by the deferment of certain desirable programs.

(11) Increased taxes.

Essential as prerequisites to the success of this program would be (a) consultations with Congressional leaders designed to make the program the object of non-partisan legislative support, and (b) a presentation to the public of a full explanation of the facts and implications of present international trends.

The program will be costly, but it is relevant to recall the disproportion between the potential capabilities of the Soviet and non-Soviet worlds (cf. Chapters V and VI). The Soviet Union is currently devoting about 40 percent of available resources (gross

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national product plus reparations, equal in 1949 to about \$65 billion) to military expenditures (14 percent) and to investment (26 percent), much of which is in war-supporting industries. In an emergency the Soviet Union could increase the allocation of resources to these purposes to about 50 percent, or by one-fourth.

The United States is currently devoting about 22 percent of its gross national product (\$255 billion in 1949) to military expenditures (6 percent), foreign assistance (2 percent), and investment (14 percent), little of which is in war-supporting industries. (As was pointed out in Chapter V, the "fighting value" obtained per dollar of expenditure by the Soviet Union considerably exceeds that obtained by the United States, primarily because of the extremely low military and civilian living standards in the Soviet Union.) In an emergency the United States could devote upward of 50 percent of its gross national product to these purposes (as it did during the last war), an increase of several times present expenditures for direct and indirect military purposes and foreign assistance.

From the point of view of the economy as a whole, the program might not result in a real decrease in the standard of living, for the economic effects of the program might be to increase the gross national product by more than the amount being absorbed for additional military and foreign assistance purposes. One of the most significant lessons of our World War II experience was that the American economy, when it operates at a level approaching full efficiency, can provide enormous resources for purposes other than civilian consumption while simultaneously providing a high standard of living. After allowing for price changes, personal consumption expenditures rose by about one-fifth between 1939 and 1944, even though the economy had in the meantime increased the amount of resources going into Government use by \$60-\$65 billion (in 1939 prices).

This comparison between the potentials of the Soviet Union and the United States also holds true for the Soviet world and the free world and is of fundamental importance in considering the courses of action open to the United States.

The comparison gives renewed emphasis to the fact that the problems faced by the free countries in their efforts to build a successfully functioning system lie not so much in the field of economics as in the field of politics. The building of such a system may require more rapid progress toward the closer association of the free countries in harmony with the concept of the United Nations. It is clear that our long-range objectives require a strengthened United Nations, or a successor organization, to which the world can look for the maintenance of peace and order in a system based on freedom and justice. It also seems clear that a unifying ideal of this kind might awaken and arouse the latent spiritual energies of free men everywhere and obtain their enthusiastic support for a positive program for peace going far beyond the frustration of the Kremlin design

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and opening vistas to the future that would outweigh short-run sacrifices.

The threat to the free world involved in the development of the Soviet Union's atomic and other capabilities will rise steadily and rather rapidly. For the time being, the United States possesses a marked atomic superiority over the Soviet Union which, together with the potential capabilities of the United States and other free countries in other forces and weapons, inhibits aggressive Soviet action. This provides an opportunity for the United States, in cooperation with other free countries, to launch a build-up of strength which will support a firm policy directed to the frustration of the Kremlin design. The immediate goal of our efforts to build a successfully functioning political and economic system in the free world backed by adequate military strength is to postpone and avert the disastrous situation which, in light of the Soviet Union's probable fission bomb capability and possible thermonuclear bomb capability, might arise in 1954 on a continuation of our present programs. By acting promptly and vigorously in such a way that this date is, so to speak, pushed into the future, we would permit time for the process of accommodation, withdrawal and frustration to produce the necessary changes in the Soviet system. Time is short, however, and the risks of war attendant upon a decision to build up strength will steadily increase the longer we defer it.

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The foregoing analysis indicates that the probable fission bomb capability and possible thermonuclear bomb capability of the Soviet Union have greatly intensified the Soviet threat to the security of the United States. This threat is of the same character as that described in NSC 20/4 (approved by the President on November 24, 1948) but is more immediate than had previously been estimated. In particular, the United States now faces the contingency that within the next four or five years the Soviet Union will possess the military capability of delivering a surprise atomic attack of such weight that the United States must have substantially increased general air, ground, and sea strength, atomic capabilities, and air and civilian defenses to deter war and to provide reasonable assurance, in the event of war, that it could survive the initial blow and go on to the eventual attainment of its objectives. In turn, this contingency requires the intensification of our efforts in the fields of intelligence and research and development.

Allowing for the immediacy of the danger, the following statement of Soviet threats, contained in NSC 20/4, remains valid:

"14. The gravest threat to the security of the United States within the foreseeable future stems from the hostile designs and formidable power of the U.S.S.R., and from the nature of the Soviet system.

"15. The political, economic, and psychological warfare which the U.S.S.R. is now waging has dangerous potentialities for weakening the relative world position of the United States and disrupting its traditional institutions by means short of war, unless sufficient resistance is encountered in the policies of this and other non-communist countries.

"16. The risk of war with the U.S.S.R. is sufficient to warrant, in common prudence, timely and adequate preparation by the United States.

"a. Even though present estimates indicate that the Soviet leaders probably do not intend deliberate armed action involving the United States at this time, the possibility of such deliberate resort to war cannot be ruled out.

"b. Now and for the foreseeable future there is a continuing danger that war will arise either through Soviet miscalculation of the determination of the United

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States to use all the means at its command to safeguard its security, through Soviet misinterpretation of our intentions, or through U. S. miscalculation of Soviet reactions to measures which we might take.

"17. Soviet domination of the potential power of Eurasia, whether achieved by armed aggression or by political and subversive means, would be strategically and politically unacceptable to the United States.

"18. The capability of the United States either in peace or in the event of war to cope with threats to its security or to gain its objectives would be severely weakened by internal developments, important among which are:

"a. Serious espionage, subversion and sabotage, particularly by concerted and well-directed communist activity.

"b. Prolonged or exaggerated economic instability.

"c. Internal political and social disunity.

"d. Inadequate or excessive armament or foreign aid expenditures.

"e. An excessive or wasteful usage of our resources in time of peace.

"f. Lessening of U. S. prestige and influence through vacillation or appeasement or lack of skill and imagination in the conduct of its foreign policy or by shirking world responsibilities.

"g. Development of a false sense of security through a deceptive change in Soviet tactics."

Although such developments as those indicated in paragraph 18 above would severely weaken the capability of the United States and its allies to cope with the Soviet threat to their security, considerable progress has been made since 1948 in laying the foundation upon which adequate strength can now be rapidly built.

The Analysis also confirms that our objectives with respect to the Soviet Union, in time of peace as well as in time of war, as stated in NSC 20/4 (para. 19), are still valid, as are the aims and measures stated therein (paras. 20 and 21). Our current security programs and strategic plans are based upon these objectives, aims, and measures:

"19.

"a. To reduce the power and influence of the U.S.S.R. to limits which no longer constitute a threat

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to the peace, national independence and stability of the world family of nations.

"b. To bring about a basic change in the conduct of international relations by the government in power in Russia, to conform with the purposes and principles set forth in the U. N. Charter.

"In pursuing these objectives, due care must be taken to avoid permanently impairing our economy and the fundamental values and institutions inherent in our way of life.

"20. We should endeavor to achieve our general objectives by methods short of war through the pursuit of the following aims:

"a. To encourage and promote the gradual retraction of undue Russian power and influence from the present perimeter areas around traditional Russian boundaries and the emergence of the satellite countries as entities independent of the U.S.S.R.

"b. To encourage the development among the Russian peoples of attitudes which may help to modify current Soviet behavior and permit a revival of the national life of groups evidencing the ability and determination to achieve and maintain national independence.

"c. To eradicate the myth by which people remote from Soviet military influence are held in a position of subservience to Moscow and to cause the world at large to see and understand the true nature of the U.S.S.R. and the Soviet-directed world communist party, and to adopt a logical and realistic attitude toward them.

"d. To create situations which will compel the Soviet Government to recognize the practical undesirability of acting on the basis of its present concepts and the necessity of behaving in accordance with precepts of international conduct, as set forth in the purposes and principles of the U. N. Charter.

"21. Attainment of these aims requires that the United States:

"a. Develop a level of military readiness which can be maintained as long as necessary as a deterrent to Soviet aggression, as indispensable support to our political attitude toward the U.S.S.R., as a source of encouragement to nations resisting Soviet political aggression, and as an adequate basis for immediate military commitments and for rapid mobilization should war prove unavoidable.

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"b. Assure the internal security of the United States against dangers of sabotage, subversion, and espionage.

"c. Maximize our economic potential, including the strengthening of our peacetime economy and the establishment of essential reserves readily available in the event of war.

"d. Strengthen the orientation toward the United States of the non-Soviet nations; and help such of those nations as are able and willing to make an important contribution to U. S. security, to increase their economic and political stability and their military capability.

"e. Place the maximum strain on the Soviet structure of power and particularly on the relationships between Moscow and the satellite countries.

"f. Keep the U. S. public fully informed and cognizant of the threats to our national security so that it will be prepared to support the measures which we must accordingly adopt."

* * * * *

In the light of present and prospective Soviet atomic capabilities, the action which can be taken under present programs and plans, however, becomes dangerously inadequate, in both timing and scope, to accomplish the rapid progress toward the attainment of the United States political, economic, and military objectives which is now imperative.

A continuation of present trends would result in a serious decline in the strength of the free world relative to the Soviet Union and its satellites. This unfavorable trend arises from the inadequacy of current programs and plans rather than from any error in our objectives and aims. These trends lead in the direction of isolation, not by deliberate decision but by lack of the necessary basis for a vigorous initiative in the conflict with the Soviet Union.

Our position as the center of power in the free world places a heavy responsibility upon the United States for leadership. We must organize and enlist the energies and resources of the free world in a positive program for peace which will frustrate the Kremlin design for world domination by creating a situation in the free world to which the Kremlin will be compelled to adjust. Without such a cooperative effort, led by the United States, we will have to make gradual withdrawals under pressure until we discover one day that we have sacrificed positions of vital interest.

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It is imperative that this trend be reversed by a much more rapid and concerted build-up of the actual strength of both the United States and the other nations of the free world. The analysis shows that this will be costly and will involve significant domestic financial and economic adjustments.

The execution of such a build-up, however, requires that the United States have an affirmative program beyond the solely defensive one of countering the threat posed by the Soviet Union. This program must light the path to peace and order among nations in a system based on freedom and justice, as contemplated in the Charter of the United Nations. Further, it must envisage the political and economic measures with which and the military shield behind which the free world can work to frustrate the Kremlin design by the strategy of the cold war; for every consideration of devotion to our fundamental values and to our national security demands that we achieve our objectives by the strategy of the cold war, building up our military strength in order that it may not have to be used. The only sure victory lies in the frustration of the Kremlin design by the steady development of the moral and material strength of the free world and its projection into the Soviet world in such a way as to bring about an internal change in the Soviet system. Such a positive program--harmonious with our fundamental national purpose and our objectives--is necessary if we are to regain and retain the initiative and to win and hold the necessary popular support and cooperation in the United States and the rest of the free world.

This program should include a plan for negotiation with the Soviet Union, developed and agreed with our allies and which is consonant with our objectives. The United States and its allies, particularly the United Kingdom and France, should always be ready to negotiate with the Soviet Union on terms consistent with our objectives. The present world situation, however, is one which militates against successful negotiations with the Kremlin--for the terms of agreements on important pending issues would reflect present realities and would therefore be unacceptable, if not disastrous, to the United States and the rest of the free world. After a decision and a start on building up the strength of the free world has been made, it might then be desirable for the United States to take an initiative in seeking negotiations in the hope that it might facilitate the process of accommodation by the Kremlin to the new situation. Failing that, the unwillingness of the Kremlin to accept equitable terms or its bad faith in observing them would assist in consolidating popular opinion in the free world in support of the measures necessary to sustain the build-up.

In summary, we must, by means of a rapid and sustained build-up of the political, economic, and military strength of the free world, and by means of an affirmative program intended to wrest the initiative from the Soviet Union, confront it with convincing evidence of

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the determination and ability of the free world to frustrate the Kremlin design of a world dominated by its will. Such evidence is the only means short of war which eventually may force the Kremlin to abandon its present course of action and to negotiate acceptable agreements on issues of major importance.

The whole success of the proposed program hangs ultimately on recognition by this Government, the American people, and all free peoples, that the cold war is in fact a real war in which the survival of the free world is at stake. Essential prerequisites to success are consultations with Congressional leaders designed to make the program the object of non-partisan legislative support, and a presentation to the public of a full explanation of the facts and implications of the present international situation. The prosecution of the program will require of us all the ingenuity, sacrifice, and unity demanded by the vital importance of the issue and the tenacity to persevere until our national objectives have been attained.

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RECOMMENDATIONS

That the President:

a. Approve the foregoing Conclusions.

b. Direct the National Security Council, under the continuing direction of the President, and with the participation of other Departments and Agencies as appropriate, to coordinate and insure the implementation of the Conclusions herein on an urgent and continuing basis for as long as necessary to achieve our objectives. For this purpose, representatives of the member Departments and Agencies, the Joint Chiefs of Staff or their deputies, and other Departments and Agencies as required should be constituted as a revised and strengthened staff organization under the National Security Council to develop coordinated programs for consideration by the National Security Council.

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COPY NO. 64

A REPORT
TO THE
NATIONAL SECURITY COUNCIL

by

THE EXECUTIVE SECRETARY

on

UNITED STATES OBJECTIVES AND PROGRAMS FOR NATIONAL SECURITY

September 21, 1950

WASHINGTON

DECLASSIFIED

Auth: ED 11452

Date: 10-25-77

By: CHRISTINE DODSON

NATIONAL SECURITY COUNCIL

NSC 68/1

September 21, 1950

NOTE BY THE EXECUTIVE SECRETARY

to the

NATIONAL SECURITY COUNCIL

on

UNITED STATES OBJECTIVES AND PROGRAMS FOR NATIONAL SECURITY

- References: A. NSC Actions Nos. 351, 350-b, 342-b, 326, 321, 307, 304, 302, 295 and 289
B. NSC 68
C. Memo for NSC from Executive Secretary, subject: "Intelligence Requirements and Mobilization", dated August 8, 1950
D. Memo for NSC from Executive Secretary, same subject, dated September 6, 1950

The enclosed tentative response to the President's directive in NSC 68, prepared by the NSC Staff with the advice and assistance of the Ad Hoc Committee on NSC 68 and of representatives from the President's staff, the Economic Cooperation Administration, the Bureau of the Budget, and the Council of Economic Advisers, is submitted herewith for consideration by the National Security Council, the Secretary of the Treasury, the Economic Cooperation Administrator, the Director, Bureau of the Budget, and the Chairman, Council of Economic Advisers.

There is also being circulated separately, for information in connection with this response, a set of ten related annexes, prepared by the respective departments and agencies as indicated in each annex.

It is suggested that the enclosed report (Parts I, II, III and IV), in the form adopted, be submitted to the President with the recommendations that he:

a. Approve the enclosed report as a tentative basis for proceeding with the initiation of the programs described therein, with the understanding that there will be continuous review and revision of the specific elements and costs of the various programs and that further study will be made of the availability of physical materials and of the problems involved in effecting their proper distribution.

b. In the light of the enclosed tentative report, approve the Conclusions contained in the report by the Secretaries of State and Defense (pages 60 through 65 of NSC 68) as a statement of current U. S. policy to be followed over the next four or five years.

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c. Direct the National Security Council, together with the Secretary of the Treasury, the Economic Cooperation Administrator, the Director, Bureau of the Budget, and the Chairman, Council of Economic Advisers:

(1) To keep the enclosed tentative report under continuing review and to submit revisions thereof to the President when appropriate, and specifically to submit an initial revision not later than December 15, 1950.

(2) To submit to the President quarterly progress reports, beginning on December 15, 1950, on the implementation of the programs described in Annexes 1 through 7.

(3) To submit to the President, at the earliest practicable date, agreed recommendations as to U. S. policies on the subjects covered in Annexes 8 through 10.

It is further suggested that, if the President approves the above recommendations, the National Security Council direct the senior NSC staff, with the assistance of the Ad Hoc Committee on NSC 68 and the participating departments and agencies, to prepare for Council consideration the draft reports required in response to recommendation c above.

It is requested that this report be handled with special security precautions, in accordance with the President's desire that no publicity be given the NSC 68 series without his approval, and that the information contained therein be disclosed only to the minimum number of officials of the Executive Branch who need to know.

JAMES S. LAY, JR.
Executive Secretary

cc: The Secretary of the Treasury
The Economic Cooperation Administrator
The Director, Bureau of the Budget
The Chairman, Council of Economic Advisers

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| II. Tabulation of Cost Estimates..... | 12 |
| III. Brief Description of Programs..... | 14 |
| IV. The Economic Implications of the Proposed Programs: Required Fiscal, Budgetary, and Other Economic Policies..... | 19 |

ANNEXES

(Circulated Under Separate Cover)

- No. 1. The Military Programs
(Prepared in the Department of Defense,
except for MDAP, which was prepared in
the Department of State)
- No. 2. The Economic Assistance Program, In-
cluding both Grants-in-Aid and Loans
(Prepared in the Department of State
and the Economic Cooperation Adminis-
tration)
- No. 3. The Civilian Defense Program
(Prepared in the National Security
Resources Board)
- No. 4. The Stockpiling Program
(Prepared in the National Security
Resources Board)
- No. 5. The Information Program
(Prepared in the Department of State)
- No. 6. The Intelligence and Related Programs
(Prepared in the Central Intelligence
Agency)
- No. 7. The Internal Security Program
(Prepared in the Interdepartmental In-
telligence Conference and the Interde-
partmental Committee on Internal Security)

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- No. 8. Long-term Political and Economic Framework
(Prepared in the Economic Cooperation Administration and the Council of Economic Advisers)
- No. 9. Organization for Coordinating National Security Policies and Programs
(Prepared in the Bureau of the Budget)
- No. 10. The Economic Implications of the Proposed Programs: Required Fiscal, Budgetary, and other Economic Policies
(Prepared in the Council of Economic Advisers)
- Appendix to Annex No. 10. Technical Assumptions and Analysis Underlying the Economic Projections for 1950-1955
(Prepared in the Council of Economic Advisers)

D R A F T

TENTATIVE REPORT BY THE
NATIONAL SECURITY COUNCIL

on

UNITED STATES OBJECTIVES AND
PROGRAMS FOR NATIONAL SECURITY

Part I

INTRODUCTION

1. The invasion of the Republic of Korea, which occurred while this tentative response to the President's directive in NSC 68 was in preparation, has amply demonstrated both the nature of the Soviet threat to the United States, and the willingness of the communist leaders to employ force to achieve their objectives as delineated in NSC 68, even at the risk of global war.

2. The programs which have been initiated pursuant to the President's message to the Congress of July 19, 1950, constitute an initial implementation of the long-term United States build-up as well as of specific measures to meet the situation in Korea.

3. The invasion of Korea imparts a new urgency to the appraisal of the nature, timing, and scope of programs required to attain the objectives outlined in NSC 68. The ending of the Korean operation, however, will not appreciably affect these estimates. As stated in the President's message, the nature of this attack has removed any doubt as to the willingness of the communist leaders to employ force, prepared in stealth and delivered with surprise, in disregard of international commitments and without provocation. The commitment of United States forces as a part of the United Nations forces to defeat

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this local act of aggression has reduced the capability of the United States to react locally in the event further acts of local aggression take place. The demonstrated effectiveness of the equipment and training of the North Korean forces in combat has necessitated an upward revision of our previous estimates of Kremlin-dominated military capabilities.

4. The invasion of Korea reinforces the validity of the following position taken in NSC 68: "Frustration of the Kremlin design requires the free world to develop a successfully functioning political and economic system and a vigorous political offensive against the Soviet Union. These, in turn, require an adequate military shield under which they can develop. It is necessary to have the military power to deter, if possible, Soviet expansion, and to defeat, if necessary, aggressive Soviet or Soviet-directed actions of a limited or total character.... In summary, we must, by means of a rapid and sustained build-up of the political, economic, and military strength of the free world, and by means of an affirmative program intended to wrest the initiative from the Soviet Union, confront it with convincing evidence of the determination and ability of the free world to frustrate the Kremlin design of a world dominated by its will. Such evidence is the only means short of war which eventually may force the Kremlin to abandon its present course of action and to negotiate acceptable agreements on issues of major importance."

5. There are important corollaries of this position:

a. The build-up of military strength in the free world should be accomplished with the utmost urgency and should

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provide the necessary military shield on a continuing basis to be maintained during whatever period the threat of Soviet aggression persists. Any other basis for our effort would impair the prospect of securing a retraction of Soviet power without resort to war.

(1) The urgency of the military build-up is due both to the risks of local aggression at new points, and the possibility of a general surprise attack simultaneously upon our allies and ourselves.

(2) Our present military situation in Korea leaves no adequate margin of strength, and should there be additional instances of local aggression we would be in no position to take effective local action. In other words, our present military strength is grossly inadequate to protect our vital national interests. The longer we remain in such a position the greater are the risks of events progressing toward general war, or of our being faced with the necessity of surrendering areas or principles vital to our survival.

(3) Furthermore, there are indications that the USSR and its satellites are undertaking urgent programs of airfield construction, building up of advanced depots of supplies, and stockpiling with deadlines which make it appear probable that they are getting in a position to undertake operations in 1951 or 1952 involving a far more serious risk of war than the Korean aggression.

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(4) There also are indications that early developments in the Korean situation shook the confidence of our allies in U. S. ability to assist in repelling aggression. Since the build-up of strength contemplated in the U. S. programs is a joint effort, urgent steps by the United States to carry forward our part of the plan are necessary to restore and maintain confidence and stimulate a proportionate effort by our allies.

b. The military strength of the United States and cooperating countries should be built up to provide readily available forces that will:

(1) Act as a deterrent against further Soviet or Soviet-inspired aggression.

(2) Be able to participate in appropriate United Nations enforcement action in case of Soviet or Soviet-directed aggression of a limited character, subject to the considerations set forth in sub-paragraphs d and e of this paragraph.

(3) Meet a global war.

c. It must be pointed out that the brief descriptions of the military programs which are set out in Part III of this Report may be construed as being in conflict with the provisions of the section of NSC 68 which states: "...that it is necessary to have the military power to deter, if possible, Soviet expansion and to defeat, if necessary, aggressive Soviet or Soviet-directed actions of a limited or total character." If this

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paragraph in NSC 68 be interpreted to mean that our military power must be such as to be able to defeat Soviet or Soviet-directed actions in any theater which the Soviet would choose, without using the ultimate sanction of war against Russia itself, then the military programs set out in Part III hereof and the cost estimates based thereon ~~are not~~ responsive to the policies set forth in NSC 68. However, in determining the military requirements which have been used as a basis for the cost estimates contained herein, the Department of Defense has proceeded on an interpretation of NSC 68 involving the following bases:

(1) The United States should have a military strength sufficient to meet her two fundamental obligations:

- (a) Protection against disaster.
- (b) Support of our foreign policy.

(2) That in order to meet these two fundamental obligations the following basic tasks are envisaged:

(a) To provide a reasonable initial defense of the Western Hemisphere and essential allied areas, particularly in Europe.

(b) To provide a minimum mobilization base while offensive forces are being developed.

(c) To conduct initial air and sea offensive operations to destroy vital elements of the Soviet war-making capacity and to check enemy offensive operations until allied offensive strength can be developed.

[REDACTED]

(d) To defend and maintain the lines of communication and bases necessary to the execution of the above tasks.

(e) To provide such aid to our allies as is essential to the execution of their responsibilities.

(3) These estimates do not include additional requirements which are certain to develop in the field of guided missiles.

(4) The existence of the forces recommended herein will not insure that the United States will be secure against attack by air or unconventional means. Furthermore, the forces recommended by the Department of Defense will not be adequate to defeat the probable enemy unless augmented by the full mobilization of the United States and her allies. It is believed, however, that the forces recommended will materially assist in the maintenance of peace.

d. The defense of Europe, in conjunction with the NATO powers, and the defense of the Western Hemisphere are essential elements in present planning to meet the contingency of a global war. With the forces recommended it would be possible to make available limited forces from the U. S. military establishment to participate in possible United Nations enforcement action to meet aggressive Soviet or Soviet-directed action of a limited local character, although this might result in some increase in the calculated risks in the event of global war. Whether these forces, in conjunction with available forces of our allies,

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would be able to defeat such aggressive Soviet or Soviet-directed action of a limited local character would depend upon the extent of the forces which would be made available to resist such action, as well as the extent of the forces which the Soviet and those whom they direct might make available in such aggression. Action against local aggression also requires an increase in the capacity and will to resist in the areas subject to such aggression, and the full cooperation (political, military, and other) of all members of the Community of Nations which oppose aggression.

e. Aggressive Soviet or Soviet-directed action might be of such magnitude or in such an area or areas around the periphery of the USSR that the force requirements covered hereby will not, even in conjunction with the forces of cooperating countries, provide a basis to defeat the aggression. Attempt to defeat such Soviet-directed action would seriously dissipate our strength without ever involving the USSR directly, the one nation which holds the power of decision.

f. Our degree of effectiveness to meet the various possible actions outlined above is directly related to the time we have to effect our build-up.

6. The following programs are expressed in dollars. Spending, however, is only one of the means necessary to a realization of the ends. Of more fundamental importance are a heightening of will and effort and the development of organization and procedures among our allies and between our allies and ourselves to insure that the results sought will be achieved.

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7. The requirements include adequate organization among the nations concerned and adequate management within them. Precision and responsibility in planning and execution of policies are now developed in varying degrees among the various nations involved in these joint programs. Along with material assistance the United States must be prepared to give guidance to such recipients as will need it in order to make the material assistance effective. The United States must be ready to insist upon and assist in the development of standards of performance in the degree necessary to insure success. In a struggle in which ideas and principles play an equal part with guns and butter, such imponderables are as indispensable to the accomplishment of the fundamental purpose of the United States as are the tangibles with which this report principally deals.

8. Aid pumped abroad without regard for the factors of management and organization would at best be vain and at worst harmful. An alert regard for opportunities to encourage and give effect to the willingness of others to do their part must guide foreign assistance. Not with our efforts alone but with their efforts as well, properly organized, and conducted in accordance with advanced methods of control, will we jointly provide the desired results--the development of strength adequate to free the world from the threat of aggression. If such efforts on the part of other free nations are not forthcoming, there would have to be a general reappraisal of our over-all policy. It will be essential, therefore, to assure that the effort of our allies keep pace with our own and that the

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sharing of the burdens imposed by the rearmament effort be equitable. Machinery for this latter purpose will also be required.

9. It must be emphasized that the programs and estimated costs in the following tabulation are not final. In the critical, complex, and rapidly changing international situation, it is impossible to blueprint the specific steps and the costs involved. It is our intention to keep the problem of NSC 68 under continuous scrutiny. But the course we must take and the magnitude of the effort required are clear. The principal value of these first estimates is that they furnish a starting point for the major effort essential to our national security and to our national objectives.

10. Time has not permitted a thorough examination of the material requirements necessary to effect the several programs outlined here in terms of the timetable for which they are scheduled. It is clear, however, that these programs will be competing among themselves and with civilian demands both here and throughout the non-Soviet world. Physical limitations of supply will necessitate decisions both as to the relative importance of the elements in the several programs and as to their timing. This will mean that, in addition to machinery already in existence for domestic allocation of materials, organization for global allocation of materials and the stabilization of their prices will have to be established within the next few months. Such machinery would have to reconcile the competing demands for scarce materials for the civilian economies of the United States, our European allies, and the rest of the non-Soviet world, on the one hand, with the military and stockpile requirements

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for the U. S. and its allies, on the other. Such machinery would in fact have to perform all of the functions which were performed in the last war by the combined materials, production, and munitions assignment boards.

11. It will be essential to assure that neutrals acquire a fair share but no more of the available critical materials and other goods. In this connection, it should be noted that it will also be necessary to limit or deny the Soviet world's access to scarce essentials, and this problem will raise again in acute form the general issues of East-West trade discussed in NSC 69/1.

12. During the first two or three years of a military build-up the risk of global war within that period may be increased. This risk must be accepted, since the alternative is to abandon the attempt to wrest the initiative from the USSR and accept piecemeal defeat at the hands of the Kremlin.

13. Furthermore, attainment of the military strength contemplated by these programs will not in itself eliminate the threat posed by the USSR and assure the achievement of U. S. objectives as outlined in NSC 68. The military build-up is a shield behind which we must deploy all of our non-military resources in the campaign to roll back the power of the USSR and to frustrate the Kremlin design. The United States must at the same time, both by its actions and demeanor, make clear to all that it has no aggressive intentions; that it is not threatening the security or independence of any peaceful country. The United States must also convince the other free nations

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that this program is the only way, so long as the USSR continues its present policies and practices, to achieve eventually a peaceful and prosperous world.

14. For the citizens of the United States and its allies, this effort will involve heavy sacrifices. The citizens of the free world will be accepting temporarily a sacrifice in their standards of living to make secure their right to live by free standards.

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Part II

TABULATION OF COST ESTIMATES

15. The estimates in the following tabulation represent a reasonable approximation of the scope and magnitude of the programs required by NSC 68 as a basis for their initiation, although it should be clearly understood that:

a. The individual programs in the tabulation have not yet been fully developed, examined in detail, or appraised jointly as a balanced total program by the departments and agencies concerned,

b. They would compete with the civilian economic needs of the United States and other friendly countries and with each other for many items in short supply.

c. It would be essential to set up domestic and combined machinery to determine the allocation of scarce resources as between these competing purposes.

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TABULATION OF COST ESTIMATES PREPARED BY THE VARIOUS DEPARTMENTS AND AGENCIES (in Billions of Dollars)*

| | 1951 | | 1952 | | 1953 | | 1954 | | 1955 | |
|--|----------|----------|--------|--------|--------|--------|--------|--------|--------|--------|
| | OBL | EXP | OBL | EXP | OBL | EXP | OBL | EXP | OBL | EXP |
| U.S. ARMED FORCES | 54.032** | 28.128** | 44.540 | 42.767 | 44.500 | 47.346 | 43.270 | 46.042 | 35.543 | 39.583 |
| MDAP | 5.200 | .950 | 5.500 | 3.700 | 5.900 | 6.000 | 3.600 | 6.800 | 3.600 | 5.100 |
| AMC*** | 1.100 | 1.000 | 1.300 | 1.300 | 1.300 | 1.300 | 1.000 | 1.100 | 1.000 | 1.000 |
| OTHER MILITARY | 1.000 | ----- | 2.500 | 3.000 | 2.500 | 2.500 | 2.500 | 2.500 | 2.500 | 2.500 |
| FOREIGN GRANT AND LOAN ASSISTANCE | 3.950 | 3.880 | 2.720 | 3.570 | 1.960 | 2.535 | 1.620 | 1.850 | 1.380 | 1.520 |
| INFORMATION AND EDUCATIONAL EXCHANGE | .112 | .086 | .107 | .115 | .150 | .125 | .126 | .138 | .109 | .118 |
| NET DRAIN ON EXIM - BANK LEADING CAPACITY | | .230 | | .250 | | .300 | | .290 | | .270 |
| CIVILIAN DEFENSE | .147 | .050 | 1.076 | .376 | 2.354 | 1.054 | 1.580 | 2.380 | .890 | 1.000 |
| STOCKPILING | 3.7 | .800 | ----- | 1.500 | ----- | 1.800 | ----- | .300 | ----- | ----- |
| INTERNAL SECURITY**** | .266 | .200 | .268 | .260 | .277 | .260 | .283 | .270 | .291 | .270 |
| INTELLIGENCE | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| TOTAL | 69.507 | 35.324 | 58.811 | 57.238 | 59.241 | 63.420 | 54.179 | 61.770 | 45.313 | 51.361 |

* These estimates will need to be revised to reflect price changes.

** Includes 12.944 for support of Korea.

*** These estimates are under review by the interested agencies and are subject to some upward revision. The increases contemplated would be slight in comparison with the total amounts for all programs.

**** These cost estimates are in addition to the sum of \$455,839,510 included in the Department of Defense estimates for internal security.

Part III

BRIEF DESCRIPTION OF PROGRAMS

16. The military programs are designed to provide U. S. forces in being or readily available to meet, in collaboration with our allies, the two fundamental obligations:

- a. Protection against disaster, and
- b. Support of our foreign policy.

17. The estimates of forces are based on the assumption that hostilities in Korea will terminate in fiscal year 1951.

18. In arriving at these estimates of forces, with full consideration of the objectives of NSC 68, the following basic tasks were envisaged:

- a. To provide a reasonable initial defense of the Western Hemisphere and essential allied areas, particularly in Europe.
- b. To provide a minimum mobilization base while offensive forces are being developed.
- c. To conduct initial air and sea offensive operations to destroy vital elements of the Soviet war-making capacity and to check enemy offensive operations until allied offensive strength can be developed.
- d. To defend and maintain the lines of communication and base areas necessary to the execution of the above tasks.
- e. To provide such aid to allies as is essential to the execution of their responsibilities.

19. It should be realized that the forces recommended herein:

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a. Will not insure that the United States will be absolutely secure against attack by air or unconventional means.

b. Will not be adequate to defeat the probable enemy unless augmented by full mobilization of the United States and her allies.

c. Will not be adequate to defeat either simultaneously or in sequence aggressive Soviet or Soviet-directed actions in Soviet-selected areas around the periphery of the USSR, although they will act as a deterrent to further Soviet or Soviet-inspired aggression.

20. The magnitude and phasing of the MDAP indicated in this report are designed to provide our allies such aid as is essential to the execution of their responsibilities in the accomplishment of the tasks outlined herein. The planning on which these estimates must be based is in the course of early major revision and may well result in showing an increase in requirements.

21. The military equipment and supplies to be furnished by the United States directly to European forces will be procured largely in the United States. About 75 to 80 percent of the anticipated volume of obligations for the furnishing of military equipment directly to the military establishments of eligible MDAP countries is estimated to be destined for the European NAT countries to build up the defensive strength of the NAT area in accordance with agreed plans. In addition, about six and a half billion dollars during the period is estimated to be required to support a European production program of military equipment for the European NAT countries and to provide

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general economic support in order to assist the European NAT countries to raise and maintain a larger number of troops in active service.

22. It must be pointed out, moreover, that the MDAP figures would have to be reviewed if the number of nations receiving assistance is increased or if the information obtained by the Joint Defense Mission now in Southeast Asia indicates a requirement for assistance beyond that now envisaged.

23. Our political actions and economic programs are designed to develop a successfully functioning political and economic system and a vigorous political offensive against the Soviet Union. U. S. economic aid to other countries seeks to create economic conditions that would build the strength necessary to support the defense effort, and to prevent the coming to power of communist or seriously hostile governments. The necessity for close coordination of economic and military programs is obvious.

24. The basic policy recommended in NSC 68 calls for:

a. The building of a military shield by the United States and its allies designed to deter Soviet aggression.

b. A positive political and economic program designed to win the whole-hearted support for the West of accessible non-communist-controlled regions.

c. A program ultimately to roll back the area of Soviet domination.

The programs outlined herein are directed primarily toward the first two objectives. It is the intention, as outlined in NSC 68, to

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initiate as early as possible a concerted political drive, using both overt and covert means, to roll back the perimeter of Soviet power and ultimately to frustrate the Kremlin design.

25. The stockpiling program is designed to afford the United States those strategic and critical materials, essential for the prosecution of a five-year war, which would not be forthcoming from U. S. wartime production and imports from accessible sources. Current plans are designed to have these stockpiles complete and physically on hand in the United States by 1954. In the light of increased military requirements for certain critical materials, as recently developed, a review of certain areas of the stockpiling program is currently under way and may result in revision of some stockpile objectives.

26. The civilian defense program should contribute to a reasonable assurance that, in the event of war, the United States would survive the initial blow and go on to the eventual attainment of its objectives. Civilian defense programs are designed to serve to minimize casualties in the event of attack, to provide emergency relief immediately after attack, and to help preserve the productive core of the nation. Civil defense programs are tailored to domestic military defense programs and require close and continuing coordination with them.

27. An intensification of intelligence and related activities is vitally necessary as a safeguard against political or military surprise and is essential to the conduct of the affirmative program envisaged in NSC 68. The intelligence and related programs projected

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in response to NSC 68 provide for such an intensification of effort. Their effective execution will require an effective coordination of intelligence activities.

28. Internal security measures, designed to meet a situation short of war and to help prepare for war if it comes, are concerned primarily with the major threat of ~~Soviet-allied~~ communist activities in the United States.

29. Information programs are designed to be an important part of the affirmative action to wrest the initiative from the USSR. They are planned to obtain the maximum psychological effect from the political, economic and military measures undertaken by the United States and its allies. The first effort will be directed at creating psychological strength and resistance to communism in the areas and countries of most immediate critical concern to the national objectives of the United States.

30. Public and Congressional understanding and continuing support of the national effort that we must undertake are essential. The armed aggression in Korea has done much to create a willingness to take necessary measures and accept necessary sacrifices. It has created an added awareness of the gravity of the threat, but the comprehension of the twofold nature of the threat, in terms of essential values as well as in terms of tangibles, remains inadequate.

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Part IV

THE ECONOMIC IMPLICATIONS OF THE PROPOSED PROGRAMS:
REQUIRED FISCAL, BUDGETARY AND OTHER ECONOMIC POLICIES

31. The rapidity of the military build-up and other proposed programs advocated in this Report is far greater than was contemplated when certain policies were written into the Mid-year Economic Report of the President in July. Yet the actual implementation of the economic adjustment program recommended in mid-July has fallen far short of what was urged even then. Part of this has been due to delay in legislation; but it has also been due to the fact that administrative action thus far has been considerably softer than the circumstances require.

32. Precious time has already been lost in the control of inflation, prices have risen sharply during the last two months, and widespread materials shortages are already interfering with industrial production both here and abroad. Perhaps more serious for the long run, almost no start has been made on the basic production and expansion programs which are so essential if controls are to strengthen our economy instead of weakening it. The power of the American economy enormously to expand its production, even more than the power to allocate more effectively the resources which we now have, is the greatest single material asset which the free world possesses. We do not yet need full economic mobilization in the sense of complete controls; we do need full economic mobilization in the sense of accelerating the

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[REDACTED]

step-up of our productive power, particularly through the forthright expansion of capacity and output of a few key materials which are at the core of the total effort that we must make.

33. If we are to mobilize our resources with the speed called for in the Report, if we are to justify the faith of other nations in our leadership in coping with world economic problems, immediate, consistent and sustained action is called for along the lines summarized in the following paragraphs:

34. The major economic conclusions and policy recommendations of this report are summarized as follows:

a. The over-all economic burden of the programs recommended in this report is considerably short of that which would result from full mobilization. The rapidity of the build-up envisaged, however, poses many of the policy problems that would be faced in the initial stages of full mobilization. The immediate inflationary impact and the strain on supplies in particular areas are of major proportions. Further, to reduce the burden over the longer run a major immediate effort to increase productive capacity is essential, although this effort in itself will intensify some of the immediate difficulties.

b. The most fundamental attack on inflationary dangers must be on the tax front. Implementation of the proposed programs would result in an estimated budget deficit even with enactment of the pending tax bill, of about 15

[REDACTED]

billion dollars for the current fiscal year, most of which would be incurred in the second half, and almost 30 billion dollars in the fiscal years 1952 and 1953. To eliminate these deficits would require an increase of about 50 percent in the over-all level of tax liabilities under existing legislation and the pending bill. Yet even achievement of a balanced budget would by no means fully curb inflationary pressures. Direct controls are no substitute for the maximum feasible tax action at the earliest possible date. Such action is essential in order to make controls workable for any extended period of time, and in order to prevent the continued accumulation of latent inflationary pressure.

c. Vigorous use - far beyond any thus far taken - of controls over consumer and real estate (housing) credit is essential to draw down consumer buying in the face of inevitably rapid rises in personal incomes. During the first six months of 1950, consumer credit expanded at an annual rate of 3 billion dollars. In June this rate jumped almost to 6 billion. Outstanding home mortgage credit has been expanding at an annual rate of 6 billion, and this has been accelerating.

d. Maximum use of tax and credit measures cannot remove the need for prompt use of materials controls in key areas through compulsory allocation, limitation and inventory powers. The continuance for another three or four months of recent price trends in such areas would very seriously

increase the difficulty of a more general control program.

e. In view of the inevitable delays and limitations of tax action, and the limited effectiveness of selective credit and materials controls, full operational readiness should be attained as rapidly as possible for the imposition of general direct controls over prices and wages. There is great likelihood that such controls over prices and wages will be needed in many areas within the next few months. Speed in preparation for compulsion, and full publicity, will exercise a powerful restraining influence in the meantime.

f. The development of a coherent wage policy, adjusted to the need for severe restraints on consumption over a long period of time, when working hours and incomes will be increasing substantially, is urgent. We must balance tax, credit and wage policies with the requirements of an effective anti-inflationary program, and at the same time preserve economic incentives and standards of equity. This is an extremely difficult problem in the context of programs of the size and duration recommended in this Report. It calls for a major effort to promote sound collective bargaining, with the help of conferences of management, labor and government, before the possible invocation of wage controls, and also thereafter.

g. None of these controls, separately or in . . .

[REDACTED]

combination, can dispel the need for measures to expand capacity, and to channel this expansion along most-needed lines. Without such growth we would in the long run weaken under the heavy new burdens being assumed. And because such growth takes time to accomplish, programs must be instituted now even though they complicate the immediate inflationary problem.

h. Illustrative of these needs is the fact that combined military and stockpile requirements for aluminum, as stated in this Report, would absorb over 85 percent of estimated supply in peak years; for copper over 50 percent. There will also be severe shortages of many other basic materials. Such greatly expanded U. S. needs for materials will also have important international implications, both from the standpoint of world availability of supplies, and of the balance of payments positions of foreign countries.

i. The need to expand capacity in key industries, coupled with the need to reduce non-essential consumption of scarce materials and to give weight to questions of vulnerability to bombing in determining the location of new plants, will require the full cooperation of government, management and labor. It will also require a substantial range of governmental decisions on new investment on a plant-by-plant basis. This will mean, among other measures, use of accelerated depreciation on the basis of individual certificates of

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necessity, of allocation and limitation orders, and of credit supports.

j. The need to reduce vulnerability to bombing gives added weight to the need for capacity expansion. Dispersion can be more efficiently accomplished through directed growth than through re-location of existing facilities.

k. The developmental programs of the Federal government, and of State and local governments, must also be adjusted to the needs for expansion in critical areas, on the one hand, and for the drastic reduction of non-essential spending and uses of scarce materials on the other. As in the case of private investment, this requires a selective approach. The coordination of Federal, State and local policies is essential.

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COPY NO. 57

A REPORT
TO THE
NATIONAL SECURITY COUNCIL

by

THE EXECUTIVE SECRETARY

on

UNITED STATES OBJECTIVES AND PROGRAMS FOR NATIONAL SECURITY

September 30, 1950

WASHINGTON

DECLASSIFIED
Auth: EO 11652
Date: 9-20-1976
By: James W. Davis
NATIONAL SECURITY COUNCIL

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NSC 68/2
September 30, 1950

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NOTE BY THE EXECUTIVE SECRETARY
to the
NATIONAL SECURITY COUNCIL
on

UNITED STATES OBJECTIVES AND PROGRAMS FOR NATIONAL SECURITY
References: A. NSC Action No. 361
B. NSC 68; NSC 68/1; Annexes to NSC 68/1
C. NSC 20/4

At the 68th Council meeting, with the President presiding (NSC Action No. 361), the National Security Council, the Secretary of the Treasury, the Secretary of Commerce, the Acting Economic Cooperation Administrator, the Director, Bureau of the Budget, and the Chairman, Council of Economic Advisers, considered draft reports on "United States Objectives and Programs for National Security" (NSC 68 and NSC 68/1), and:

a. Adopted the Conclusions of NSC 68 as a statement of policy to be followed over the next four or five years, and agreed that the implementing programs will be put into effect as rapidly as feasible, with the understanding that the specific nature and estimated costs of these programs will be decided as they are more firmly developed.

b. Deferred action on NSC 68/1 pending a revision of that report to be prepared by the NSC Staff for Council consideration not later than November 15, 1950.

c. Noted the President's instructions that there should be no public discussion of this program, and specifically no public quotation of figures, until the appropriate time as determined by the President.

The President has this date approved the Conclusions of NSC 68 as a statement of policy to be followed over the next four or five years, and directed their implementation by all appropriate executive departments and agencies of the U. S. Government.

Accordingly, the Conclusions of NSC 68 are circulated herewith for appropriate action.

JAMES S. LAY, JR.
Executive Secretary

cc: The Secretary of the Treasury
The Secretary of Commerce
The Economic Cooperation Administrator
The Director, Bureau of the Budget
The Chairman, Council of Economic Advisers

DECLASSIFIED
Auth: ES 11652
Date: 9 Jan 1976
By: TEANE M. DAVIS
NATIONAL SECURITY COUNCIL

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REPORT BY THE NATIONAL SECURITY

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on

UNITED STATES OBJECTIVES AND PROGRAMS FOR NATIONAL SECURITY
(Conclusions of NSC 68)

1. The analysis contained in NSC 68 indicates that the probable fission bomb capability and possible thermonuclear bomb capability of the Soviet Union have greatly intensified the Soviet threat to the security of the United States. This threat is of the same character as that described in NSC 20/4 (approved by the President on November 24, 1948) but is more immediate than had previously been estimated. In particular, the United States now faces the contingency that within the next four or five years the Soviet Union will possess the military capability of delivering a surprise atomic attack of such weight that the United States must have substantially increased general air, ground, and sea strength, atomic capabilities, and air and civilian defenses to deter war and to provide reasonable assurance, in the event of war, that it could survive the initial blow and go on to the eventual attainment of its objectives. In turn, this contingency requires the intensification of our efforts in the fields of intelligence and research and development.

2. Allowing for the immediacy of the danger, the following statement of Soviet threats, contained in NSC 20/4, remains valid:

"14. The gravest threat to the security of the United States within the foreseeable future stems from the hostile designs and formidable power of the U.S.S.R., and from the nature of the Soviet system.

"15. The political, economic, and psychological warfare which the U.S.S.R. is now waging has dangerous potentialities for weakening the relative world position of the United States and disrupting its traditional institutions by means short of war, unless sufficient resistance is encountered in the policies of this and other non-communist countries.

"16. The risk of war with the U.S.S.R. is sufficient to warrant, in common prudence, timely and adequate preparation by the United States.

"a. Even though present estimates indicate that the Soviet leaders probably do not intend deliberate armed action involving the United States at this time, the possibility of such deliberate resort to war cannot be ruled out.

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"b. Now and for the foreseeable future there is a continuing danger that war will arise either through Soviet miscalculation of the determination of the United States to use all the means at its command to safeguard its security, through Soviet misinterpretation of our intentions, or through U. S. miscalculation of Soviet reactions to measures which we might take.

"17. Soviet domination of the potential power of Eurasia, whether achieved by armed aggression or by political and subversive means, would be strategically and politically unacceptable to the United States.

"18. The capability of the United States either in peace or in the event of war to cope with threats to its security or to gain its objectives would be severely weakened by internal developments, important among which are:

"a. Serious espionage, subversion and sabotage, particularly by concerted and well-directed communist activity.

"b. Prolonged or exaggerated economic instability.

"c. Internal political and social disunity.

"d. Inadequate or excessive armament or foreign aid expenditures.

"e. An excessive or wasteful usage of our resources in time of peace.

"f. Lessening of U. S. prestige and influence through vacillation or appeasement or lack of skill and imagination in the conduct of its foreign policy or by shirking world responsibilities.

"g. Development of a false sense of security through a deceptive change in Soviet tactics."

3. Although such developments as those indicated in paragraph 18 above would severely weaken the capability of the United States and its allies to cope with the Soviet threat to their security, considerable progress has been made since 1948 in laying the foundation upon which adequate strength can now be rapidly built.

4. The analysis in NSC 68 also confirms that our objectives with respect to the Soviet Union, in time of peace as well as in time of war, as stated in NSC 20/4 (para. 19), are still valid, as are the aims and measures stated therein (paras. 20 and 21). Our current security programs and strategic plans are based upon these objectives, aims, and measures:

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"19. a. To reduce the power and influence of the U.S.S.R. to limits which no longer constitute a threat to the peace, national independence and stability of the world family of nations.

"b. To bring about a basic change in the conduct of international relations by the government in power in Russia, to conform with the purposes and principles set forth in the U. N. Charter.

"In pursuing these objectives, due care must be taken to avoid permanently impairing our economy and the fundamental values and institutions inherent in our way of life.

"20. We should endeavor to achieve our general objectives by methods short of war through the pursuit of the following aims:

"a. To encourage and promote the gradual retraction of undue Russian power and influence from the present perimeter areas around traditional Russian boundaries and the emergence of the satellite countries as entities independent of the U.S.S.R..

"b. To encourage the development among the Russian peoples of attitudes which may help to modify current Soviet behavior and permit a revival of the national life of groups evidencing the ability and determination to achieve and maintain national independence.

"c. To eradicate the myth by which people remote from Soviet military influence are held in a position of subservience to Moscow and to cause the world at large to see and understand the true nature of the U.S.S.R. and the Soviet-directed world communist party, and to adopt a logical and realistic attitude toward them.

"d. To create situations which will compel the Soviet Government to recognize the practical undesirability of acting on the basis of its present concepts and the necessity of behaving in accordance with precepts of international conduct, as set forth in the purposes and principles of the U. N. Charter.

"21. Attainment of these aims requires that the United States:

"a. Develop a level of military readiness which can be maintained as long as necessary as a deterrent to Soviet aggression, as indispensable support to our political

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attitude toward the U.S.S.R., as a source of encouragement to nations resisting Soviet political aggression, and as an adequate basis for immediate military commitments and for rapid mobilization should war prove unavoidable.

"b. Assure the internal security of the United States against dangers of sabotage, subversion, and espionage.

"c. Maximize our economic potential, including the strengthening of our peacetime economy and the establishment of essential reserves rapidly available in the event of war.

"d. Strengthen the orientation toward the United States of the non-Soviet nations; and help such of those nations as are able and willing to make an important contribution to U. S. security, to increase their economic and political stability and their military capability.

"e. Place the maximum strain on the Soviet structure of power and particularly on the relationships between Moscow and the satellite countries.

"f. Keep the U. S. public fully informed and cognizant of the threats to our national security so that it will be prepared to support the measures which we must accordingly adopt."

* * * * *

5. In the light of present and prospective Soviet atomic capabilities, the action which can be taken under present programs and plans, however, becomes dangerously inadequate, in both timing and scope, to accomplish the rapid progress toward the attainment of the United States political, economic, and military objectives which is now imperative.

6. A continuation of present trends would result in a serious decline in the strength of the free world relative to the Soviet Union and its satellites. This unfavorable trend arises from the inadequacy of current programs and plans rather than from any error in our objectives and aims. These trends lead in the direction of isolation, not by deliberate decision but by lack of the necessary basis for a vigorous initiative in the conflict with the Soviet Union.

7. Our position as the center of power in the free world places a heavy responsibility upon the United States for leadership. We must organize and enlist the energies and resources of the free world

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in a positive program for peace which will frustrate the Kremlin design for world domination by creating a situation in the free world to which the Kremlin will be compelled to adjust. Without such a cooperative effort, led by the United States, we will have to make gradual withdrawals under pressure until we discover one day that we have sacrificed positions of vital interest.

8. It is imperative that this trend be reversed by a much more rapid and concerted build-up of the actual strength of both the United States and the other nations of the free world. The analysis in NSC 68 shows that this will be costly and will involve significant domestic financial and economic adjustments.

9. The execution of such a build-up, however, requires that the United States have an affirmative program beyond the solely defensive one of countering the threat posed by the Soviet Union. This program must light the path to peace and order among nations in a system based on freedom and justice, as contemplated in the Charter of the United Nations. Further, it must envisage the political and economic measures with which and the military shield behind which the free world can work to frustrate the Kremlin design by the strategy of the cold war; for every consideration of devotion to our fundamental values and to our national security demands that we achieve our objectives by the strategy of the cold war, building up our military strength in order that it may not have to be used. The only sure victory lies in the frustration of the Kremlin design by the steady development of the moral and material strength of the free world and its projection into the Soviet world in such a way as to bring about an internal change in the Soviet system. Such a positive program -- harmonious with our fundamental national purpose and our objectives -- is necessary if we are to regain and retain the initiative and to win and hold the necessary popular support and cooperation in the United States and the rest of the free world.

10. This program should include a plan for negotiation with the Soviet Union, developed and agreed with our allies and which is consonant with our objectives. The United States and its allies, particularly the United Kingdom and France, should always be ready to negotiate with the Soviet Union on terms consistent with our objectives. The present world situation, however, is one which militates against successful negotiations with the Kremlin -- for the terms of agreements on important pending issues would reflect present realities and would therefore be unacceptable, if not disastrous, to the United States and the rest of the free world. After a decision and a start on building up the strength of the free world has been made, it might then be desirable for the United States to take an initiative in seeking negotiations in the hope that it might facilitate the process of accommodation by the Kremlin to the new situation. Failing that, the unwillingness of the Kremlin to accept equitable terms or

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its bad faith in observing them would assist in consolidating popular opinion in the free world in support of the measures necessary to sustain the build-up.

11. In summary, we must, by means of a rapid and sustained build-up of the political, economic, and military strength of the free world, and by means of an affirmative program intended to wrest the initiative from the Soviet Union, confront it with convincing evidence of the determination and ability of the free world to frustrate the Kremlin design of a world dominated by its will. Such evidence is the only means short of war which eventually may force the Kremlin to abandon its present course of action and to negotiate acceptable agreements on issues of major importance.

12. The whole success of the proposed program hangs ultimately on recognition by this Government, the American people, and all free peoples, that the cold war is in fact a real war in which the survival of the free world is at stake. Essential prerequisites to success are consultations with Congressional leaders designed to make the program the object of non-partisan legislative support, and a presentation to the public of a full explanation of the facts and implications of the present international situation. The prosecution of the program will require of us all the ingenuity, sacrifice, and unity demanded by the vital importance of the issue and the tenacity to persevere until our national objectives have been attained.

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COPY NO. 80

A REPORT
TO THE
NATIONAL SECURITY COUNCIL

by

THE EXECUTIVE SECRETARY

on

UNITED STATES OBJECTIVES AND PROGRAMS FOR NATIONAL SECURITY

December 8, 1950

WASHINGTON

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Auth: EO 11652

Date: 8 Jan 1976

By: Jeane W. Davis

NATIONAL SECURITY COUNCIL

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December 8, 1950

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NOTE BY THE EXECUTIVE SECRETARY

to the

NATIONAL SECURITY COUNCIL

on

UNITED STATES OBJECTIVES AND PROGRAMS FOR NATIONAL SECURITY

References: A. NSC 68 Series
B. NSC Actions Nos. 361 and 386
C. Memo for NSC from Executive Secretary,
same subject, dated November 14, 1950

The enclosed revision of NSC 68/1 on the subject, prepared pursuant to Reference C. by the NSC Staff with the assistance of representatives from the other departments and agencies participating in the NSC 68 project, is submitted herewith for consideration by the National Security Council, the Secretary of the Treasury, the Secretary of Commerce, the Economic Cooperation Administrator, the Director, Bureau of the Budget, and the Chairman, Council of Economic Advisers at the regularly scheduled Council meeting on Thursday, December 14, 1950.

Also attached for information are the following appendices:

Appendix A - Tabulation of Approximate Costs of the Programs;

Appendix B - The Economic Implications of the Proposed Programs, prepared by the Chairman of the Council of Economic Advisers.

There is also being circulated separately, for information in connection with this report, a set of seven related annexes, prepared by the respective departments and agencies as indicated in each annex.

It is recommended that, if the enclosed report is adopted, that it be submitted to the President for consideration with the recommendation that he approve it as a working guide and direct its implementation by all appropriate departments and agencies of the U. S. Government.

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Auth: ED 11652

Date: 8 Jan 1976

By: James M. Gurnea - 1 -

NATIONAL SECURITY COUNCIL

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It is requested that this report be handled with special security precautions, in accordance with the President's desire that no publicity be given the NSC 68 series without his approval, and that the information contained therein be disclosed only to the minimum number of officials of the Executive Branch who need to know.

JAMES S. LAY, Jr.
Executive Secretary

cc: The Secretary of the Treasury
The Secretary of Commerce
The Economic Cooperation Administrator
The Director, Bureau of the Budget
The Chairman, Council of Economic Advisers

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REPORT BY THE NATIONAL SECURITY COUNCIL

on

UNITED STATES OBJECTIVES AND
PROGRAMS FOR NATIONAL SECURITY

1. The invasion of the Republic of Korea by the North Korean Communists imparted a new urgency to the appraisal of the nature, timing, and scope of programs required to attain the objectives outlined in NSC 68. The aggression by the Chinese Communists in North Korea has created a new crisis and a situation of great danger. Our military build-up must be rapid because the period of greatest danger is directly before us. A greatly increased scale and tempo of effort is required to enable us to overcome our present military inadequacy.

2. It must be emphasized that the programs and estimated costs in the tabulation in Appendix A are not final. In the critical, complex, and rapidly changing international situation, it is impossible to blueprint the specific steps and the costs involved. It is our intention to keep this problem, now so greatly accentuated, under continuous scrutiny. The principal value of these first estimates is that they furnish a starting point for the major effort essential to our national security and to our national objectives.

3. The several programs hereinafter briefly described* are all conceived to be mutually dependent. In accordance with the underlying concept of NSC 68, they represent an effort to achieve, under the

* These programs are described in greater detail in the Annexes to NSC 68/3 reproduced separately.

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shield of a military build-up, an integrated political, economic, and psychological offensive designed to counter the current threat to the national security posed by the Soviet Union.

The Military Program

4. Present conditions make unacceptable the delay involved in the phasing of our military build-up over a four-year period. It is evident that the forces envisaged earlier for 1954 must be provided as an interim program as rapidly as possible subject to continuous review to build toward military strength capable of fulfilling our two fundamental obligations: (a) Protection against disaster; and (b) support of our foreign policy. The military programs are designed to provide U. S. forces in being and readily available to meet, in collaboration with our allies, these two fundamental obligations.

5. The estimates of forces are based on the assumption that hostilities in Korea will terminate in Fiscal Year 1951.

6. In arriving at these estimates of forces, with full consideration of the objectives of NSC 68, the following basic tasks were envisaged:

a. To provide a reasonable initial defense of the Western Hemisphere and essential allied areas, particularly in Europe.

b. To provide a minimum mobilization base while offensive forces are being developed.

c. To conduct initial air and sea offensive operations to destroy vital elements of the Soviet war-making capacity and to

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check enemy offensive operations until allied offensive strength can be developed.

d. To defend and maintain the lines of communication and base areas necessary to the execution of the above tasks.

e. To provide aid to our allies to assist them in the execution of their responsibilities.

7. It should be realized that the forces recommended herein:

a. Will not insure that the United States will be absolutely secure against attack by air or unconventional means.

b. Will not be adequate to defeat the probable enemy unless augmented by full mobilization of the United States and her allies.

c. May not be adequate to defeat aggressive Soviet or Soviet-directed actions in Soviet-selected areas around the periphery of the USSR, although they will act as a deterrent to further Soviet or Soviet-inspired aggression.

Foreign Military and Economic Assistance

8. The magnitude and phasing of the MDAP reflected in this report are generally designed to accomplish the following: (1) to provide nations which are participants in the North Atlantic Treaty with those quantities and forms of military and economic aid which they will require in order to raise, organize, train and equip by 1954 the forces set forth as necessary for the defense of the North Atlantic Treaty area in defense plans currently approved by the North

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Atlantic Treaty Organization (D. C. 28, dated 28 October 1950);* and (2) to furnish military assistance which will, in varying degrees, assist certain other nations in Eastern Europe and the Middle East (Greece, Turkey and Iran) and in the Far East and Southeast Asia (Indochina, Indonesia, Thailand, the Philippines, Formosa, etc.) which are now receiving military assistance to restore or maintain internal security and, in the case of several countries, to perform limited defensive missions in the event of major external aggression. A very substantial portion of the total aid proposed, perhaps 75% thereof, would take the form of armaments produced in the United States, the remainder being primarily devoted to furnishing Western European nations with those additional resources which they will require, in addition to their own, in order (a) to support a complementary European production program of the magnitude now envisaged as necessary, and (b) to raise and maintain the forces which they must provide.

9. It should be specifically noted that the phasing of the MDAP is on an entirely different basis than that of the U. S. military programs -- the former being timed, in accordance with the assumptions of the North Atlantic Treaty Defense Plan, to provide forces adequate for the defense of the North Atlantic area by 1954, whereas the target of the latter is to obtain the required U. S. forces as rapidly as possible. Since the factors which governed the selection of the earlier date in the case of U. S. programs have

* The NSRB Member of the Senior NSC Staff declines to record a judgment on this statement, which refers to a document to which he has not had access.

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equal applicability to North Atlantic defense measures, it is of the greatest importance that the phasing of the latter should, to the maximum degree possible, be brought into consonance with the phasing of U. S. programs. Therefore, every method should immediately be explored, and thereafter continue periodically to be explored, for accelerating, if possible to 1952, the completion date of the program envisaged in current North Atlantic Treaty defense plans, including, but not limited to, consideration of (a) additional measures directed toward encouraging, persuading and enabling other North Atlantic Treaty nations to increase and speed up their contributions; (b) new methods for accelerating the work of the North Atlantic Treaty Organization; (c) the possibility of setting earlier production targets for MDAP armaments to be produced in the United States; and (d) the possibility of the United States assuming a substantially greater proportion than presently proposed of the actual task of physically producing the capital and replacement requirements of the forces to be raised. To the extent that such acceleration can be achieved, the amounts of U. S. aid required will tend to be telescoped even more sharply in the earlier years and will also be increased in the aggregate. Even in the absence of any such acceleration, the further refinement of NATO defense plans and their firm pricing on an international basis may indicate a U. S. aid requirement appreciably larger than that now proposed.

10. In the event that the number of nations receiving assistance is increased or in the event of a major change in current military assistance objectives with respect to present aid recipients in

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the Middle or Far East, as, for example, in the case of Formosa or Indochina, MDAP figures would have to be reviewed.

11. Our objective in providing economic aid outside the NATO areas is to create situations of political and economic strength in the free world especially in critical areas whose present weakness may invite Soviet thrusts. However, as a consequence of increased demands on U. S. resources resulting from the military defense program, claims on U. S. resources for foreign aid have been limited to programs that will meet most urgent and immediate needs. These programs have therefore been restricted to those fulfilling three broad purposes: (1) investment to increase the production and facilitate the distribution of critical materials directly needed for defense; (2) aid to strengthen the defense effort of our allies; and (3) aid to enable governments which are or can be expected to become friendly members of the free world to win the confidence and support of their own peoples as a solid foundation for political stability and national independence. To reduce the drain on U. S. resources, aid programs have been held to the minimum believed necessary to effect these purposes.

The Civilian Defense Program

12. The civilian defense program should contribute to a reasonable assurance that, in the event of war, the United States would survive the initial blow and go on to the eventual attainment of its objectives. Civilian defense programs are designed to serve to minimize casualties in the event of attack, to provide emergency relief

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immediately after attack, and to help preserve the productive core of the nation. Civil defense programs are tailored to domestic military defense programs and require close and continuing coordination with them. In this regard civil defense programs are currently being reviewed with the objective of revising them, as to timing and magnitude, in accordance with the more urgent and increased military program now being developed.

The Stockpiling Program

13. The stockpiling program is designed to afford the United States those strategic and critical materials, essential for the prosecution of a five-year war, which would not be forthcoming from United States wartime production and imports from accessible sources.

14. Plans developed up to the end of November, 1950, had been designed to have these stockpiles complete and physically on hand in the United States by 1954.

15. The stockpile program is currently being reviewed with the objective of revising in accordance with and subject to the increased military requirements now being developed. In addition, stockpile objectives themselves are undergoing constant review, particularly in the light of such questions as substitution of other less critical materials, tests of necessity, and changes in military specifications.

The Information Program

16. The information and educational exchange programs are designed to develop the maximum psychological effect from the political,

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diplomatic, economic and military measures undertaken by the United States and its allies and to convey the implications of these measures effectively to the minds and emotions of groups and individuals who may importantly influence governmental action and popular attitudes in other nations and among other peoples. The primary effort will be directed at creating, in the areas and the nations of most critical importance to the achievement of the national objectives of the United States, (a) popular and governmental confidence and resolution in support of the shared interests of the peoples of the free world, and (b) psychological resistance to the further expansion, whether by overt or covert means, of the influence of Soviet Communism.

17. The peoples of the Soviet Union and its satellites, as well as the peoples of the most vulnerable areas of the free world, are primary targets of this psychological offensive.

Intelligence and Related Activities

18. An intensification of intelligence and related activities is vitally necessary as a safeguard against political or military surprise and is essential to the conduct of the affirmative program envisaged in NSC 68. The intelligence and related programs projected in response to NSC 68 provide for such an intensification of effort. They are being put into execution as rapidly as possible without reference to the phasing of the other programs presented in this report.

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The Internal Security Program

19. The elements of the accelerated program recommended by the Interdepartmental Committee on Internal Security and the Interdepartmental Intelligence Conference constitute a balanced internal security program within the framework of the original NSC 68 project. There is every reason to believe that if these basic elements are realized they will contribute substantially to the accomplishment of the objectives outlined in NSC 68 by insuring the adequacy of the nation's internal security, which is an indispensable part of a nationally secure United States. The early realization of the objectives outlined by the ICIS and the IIC is essential in order to strengthen our defenses against the dangers of espionage, sabotage, and other types of subversion by impeding the individual and collective will of subversive elements to act to the detriment of internal security by increasing the physical hazards as well as the legal obstacles and penalties incident to the commission of subversive acts. Additionally, it will afford greater protection to the nation's critical governmental and industrial facilities; it will make more secure the orderly functioning of government; it will minimize the possibility of the clandestine introduction of unconventional attack media and of the exportation of strategic materials and information; and it will thus aid in thwarting the strategy and tactics of the Kremlin which are designed to weaken, dominate and destroy us as a free people.

20. In the light of developments since the preparation of NSC 68 and in view of the resulting revisions in The Military

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Program, ever-increased emphasis should be afforded the projected internal security program to the end that the level of internal security preparedness contemplated by 1954 may be attained by 1952, or as soon thereafter as circumstances permit.

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APPENDIX A

The following tabulation of the approximate costs of the programs required to implement the policies outlined in NSC 68/3 over a five year period, is wholly tentative both with respect to the magnitude of the sums involved, and the rate of their expenditure. It is inserted solely to convey an idea of the general magnitudes likely to be required for the NSC 68 program according to current estimates of requirements. The four year projections for certain of the programs are subject to review in the light of the decision to accelerate the military program as rapidly as possible, and are currently being reappraised.

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APPROXIMATE COSTS OF PROPOSED PROGRAMS
(In billions of dollars on an obligations basis)

| PROGRAMS | FY 1951 | FY 1952 | FY 1953 | FY 1954 | FY 1955 |
|---|---------|---------|---------|---------|---------|
| U.S. ARMED FORCES* | | | | | |
| FOREIGN MILITARY AND ECONOMIC ASSISTANCE | 8.697 | 10.409 | 10.237 | 7.650 | 5.010 |
| INFORMATION AND EDUCATIONAL EXCHANGE | .233 | .193 | .198 | .200 | .200 |
| CIVILIAN DEFENSE - Federal | .150 | .486 | .632 | .452 | ** |
| - State | --- | .429 | .615 | .418 | ** |
| STOCKPILING | 1.800 | 1.000 | 1.000 | .800 | --- |
| INTERNAL SECURITY (Excluding the Department of Defense programs which will be included in "U.S. Armed Forces") | .112 | .154 | .163 | .170 | .179 |

* To be supplied by the Department of Defense.

** The assumption is made that only recurring and maintenance costs will be incurred after FY 1954.

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APPENDIX B

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NOTE: This is based on assumptions concerning the U. S. military programs which appeared most reasonable on the basis of the NSC Senior Staff meeting of Wednesday, December 6, 1950, namely:

- a) That the strength target for June 1952 would be 3.2 million men; and
- b) That the force targets for June 1954 set forth in NSC 68/1, dated September 21, 1950, would be accepted as targets for June 1952.

The broad calculations flowing from these assumptions were in large measure based on Annex A to the NSRB document of December 4, 1950, entitled "Instruction for Preparation and Presentation of Programs and Program Requirements". This Annex represented a preliminary effort to translate these assumptions into terms of productive effort.

Should these assumptions be revised substantially upwards the attached document would, of course, require major revision.

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THE ECONOMIC IMPLICATIONS OF THE PROPOSED PROGRAMS:
REQUIRED FISCAL, BUDGETARY AND OTHER ECONOMIC POLICIES
(Prepared by the Chairman, Council of Economic Advisers)

1. The top advisers to the President in the field of economic policy have been asked to register their appraisal of the economic impact and economic policy implications of the objectives of NSC 68/2, as approved by the President on September 30, 1950, and of the programs submitted in support of those objectives. It is not, of course, the function of such an economic appraisal to pass judgment on the adequacy of the recommended programs to meet the requirements of military and foreign policy in the light of the risks and needs outlined in NSC 68/2. If such an appraisal showed, however, that the recommended programs substantially exceeded our economic capabilities, or wrought damage to the economy to an extent endangering our general strength, they would clearly have to be brought into balance. Likewise, if such an economic appraisal showed that the recommended programs fell substantially short of our economic capabilities, or imposed a burden upon the economy light in relation to the seriousness of the clearly revealed and commonly agreed upon national danger, that conclusion should be revealed forthrightly as one guide in evaluating these recommended programs.

2. Because it has not been feasible, within the time available, for the Department of Defense to prepare procurement and expenditure estimates in support of the force and strength targets recommended for June 1952 and thereafter, only a few broad indications of

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economic impacts can be given at this time. From such preliminary calculations as can be made, however, certain broad conclusions emerge clearly.

3. The programs submitted in the report represent a relatively brief maximum effort toward a limited objective. The strength target of 3.2 million men for June 1952 represents about $4\frac{1}{2}$ percent of the total labor force, as compared with over 17 percent (12.3 million men) during the peak of World War II, and about $6\frac{1}{2}$ percent (3.9 million men) as of July 1, 1942. Military production at its peak would absorb not more than 15 to 20 percent of the total steel supply, as compared with well over 50 percent during World War II. Yet production of ingot steel is now at an annual rate of 100 million tons, as compared with 89 million tons in 1944. The absorption of copper would be less than one-third of supply, as compared with two-thirds during World War II. The absorption of aluminum would also be less than one-third, as compared with over 80 percent during World War II.

4. The production rates required to achieve the targets indicated in the report would reach a peak in 1952 which would be substantially below our capabilities. Total budget expenditures on national security programs would probably reach a peak annual rate of about 70 billion dollars during the second half of the fiscal year 1952, or about 25 percent of total national output. If such expenditures were to reach the World War II peak burden of about 42 percent of national output, they would amount to about 130 bil-

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lion dollars. If they were to reach the 32 percent level achieved during 1942; i.e. during the 12-months period following Pearl Harbor (when the number of men in the armed forces averaged 3.8 million men), they would amount to about 100 billion dollars. Such calculations are, of course, only illustrative. They indicate quite clearly, however, the limited character of the effort implied in the programs recommended in the report.

5. This relatively limited character of the programs does not, of course, mean that their impact on civilian consumption would be negligible. In order to free the materials necessary to support the productive effort implied in these programs (with no allowance for stockpiling), the production of automobiles and of other metal-using consumer goods would probably have to be cut below their 1950 levels by sixty percent or more. Housing would have to be cut by more than one-third. The production of civilian radios and television sets would have to be cut by much more than this, if not eliminated entirely, in order to meet military demands for electronics.

6. Although these represent very sharp cuts in individual items below the record-breaking levels of 1950, the general civilian consumption standards which would be possible under the proposed programs could hardly be described as austere, even if the relatively comfortable standards of World War II in this country were taken to represent bedrock austerity. By the standards of any other country in the world, they could only be described as

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luxurious. Aggregate personal consumption in 1952, although substantially different in composition and somewhat less satisfactory to consumers, would be within 10 percent of the 1950 level. It would be nearly one fourth greater than the 1944 level, and over half again as great as in 1939. Even the production of durable consumer goods would be about half again as great as in 1939.

7. These broad estimates are based on the assumption that working hours and the proportion of the population drawn into the active labor force would increase considerably above recent levels, although not approaching the peaks of World War II. With greater increases in labor effort than assumed in these estimates, a substantially greater increase in total output could be achieved. This could provide the basis for a greater military production even while still maintaining the consumption standards outlined above (with the exception that sharper cuts in durable consumer goods would, of course, be necessary in order to free materials for military production).

8. Given a major labor effort over the next two years, and given a substantial investment in basic productive facilities, there can be no doubt that the force targets presented in the report could, from the standpoint of our manpower and other resources, be maintained indefinitely; and that, even with the maintenance of these forces, the civilian consumption standards of 1950 could be restored and improved within a few years. This is hardly the time to give high priority to improving the consumption standards of 1950.

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But the fact that such an achievement is within reasonably conservative bounds of feasibility casts light on the degree of long-term sacrifice and effort implied in the programs recommended in the report. Without passing any judgment upon the adequacy of the programs recommended in the report, which would be outside the scope of economic analysis, it follows palpably that these programs in terms of their economic implications fall about half way between "business as usual" and a really large-scale dedication of our enormous economic resources to the defense of our freedoms, even when defining this large-scale dedication as something far short of an all-out war or all-out economic mobilization for war purposes.

9. Aside from the basic economic conclusion just stated, it is necessary to outline the economic policies which would flow from programs of the size and degree of acceleration recommended in the report. It is self-evident that defense, civilian (both industrial and consumer) and international needs are of such a size that none can be given an absolute priority over another. Perhaps the most striking example of this is the fact that fulfillment of the manganese stockpiling goal would require a very severe cutback in current steel production. A decision to attempt to achieve the full stockpile objective for copper by June 1952, for example, would be tantamount to a decision to forego any industrial expansion in this country, and to disrupt the economies of allies nations. It is for such reasons that so great importance is attached by Mr. Atlee in the current conversations to the establishment of machinery for the international allocation of basic materials.

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10. The central and urgent requirements of economic policy, indispensable to the sound formation of policy in all other areas, is the continuing maintenance of an over-all inventory of supply and requirements, accompanied by a continued basic programming to determine the priority considerations which must determine the distribution of available supply among competing requirements. The basic requirements are military, stockpiling, international, industrial and consumer. These must all be serviced, in varying degrees, by the totality of supply. Every specific economic program is directed, in the final analysis, toward the matching of supply and requirements, whether it be by increasing supply, redirecting supply, or restricting certain requirements. And since this over-all programming operation is central to the whole task of economic mobilization, it should be located in one place. Further, this place of location should also be the place of location for ultimate decisions, short of the President, with respect to coordination of programs, settlement of disputes arising from conflicting policies or requirements, etc. This is true because no ultimate coordinator or umpire can act effectively unless armed with a programming operation to provide the basis for intelligent action. The Administrative question of where this function is located is not specifically within the economic sphere, but economic analysis must point out that until this operation is functioning on a centralized and comprehensive basis there can be no effective economic mobilization either partial or complete.

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11. The completion of the first effort at such a comprehensive balancing of program requirements and supply would reveal the need, and provide first quantitative guide lines, for the expansion of capacity in critical areas. It would also reveal areas where such expansion could be given only a low priority. Such an analysis is essential in order to give meaningful and detailed content to the term "shortages", and in order to translate the need for expansion into concrete terms.

12. Such a comprehensive programming operation is also essential to reveal the way in which direct controls should be used. The need for such controls is no longer in question. There can now be no doubt of the early necessity for complete allocation of basic materials throughout the economy, on a scale comparable to the Controlled Materials Plan of World War II. There can be no doubt that widespread price and wage controls will be required within the near future. Maximum feasible action in the fields of taxation and credit will be essential, not in the hope of minimizing the need for direct controls, but in order to make those controls workable. The probable existence, under present and pending tax legislation, of a deficit of over 30 billion dollars (annual rate) by the second half of fiscal 1952 is ample evidence of this.

13. It would be the height of folly, however, to initiate a fully comprehensive system of direct controls before having a reasonably clear idea of the purposes which those controls were intended to accomplish, i.e. before major policy decisions had been

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reached in the light of a comprehensive analysis of the facts, and of a reappraisal of existing policies in the light of those facts. Controls without purpose could only weaken the economies of the free world and confuse the populace. Nonetheless, it should be emphasized that certain tasks to be accomplished by controls are so immediately urgent, and the size of the ultimate task so great, that the development of the necessary organization and staff should proceed with utmost speed.

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COPY NO. 80

A REPORT
TO THE
PRESIDENT
BY THE
NATIONAL SECURITY COUNCIL

on

UNITED STATES OBJECTIVES AND PROGRAMS FOR NATIONAL SECURITY

DECLASSIFIED

Auth: EO 11652

Date: 10 DEC 1975

By: BRENT SCOWCROFT

NATIONAL SECURITY COUNCIL

December 14, 1950

WASHINGTON

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NSC 68/4

December 14, 1950

NOTE BY THE EXECUTIVE SECRETARY

on

UNITED STATES OBJECTIVES AND PROGRAMS FOR NATIONAL SECURITY

References: A. NSC 68 Series
B. NSC Action No. 393
C. Memo for NSC from Executive Secretary, same subject, dated December 13, and three memos dated December 14, 1950

At their 75th Meeting, with the President presiding, the National Security Council, the Secretary of the Treasury, the Secretary of Commerce, the Economic Cooperation Administrator, the Director, Bureau of the Budget, and the Chairman, Council of Economic Advisers, considered NSC 68/3 on the subject and adopted the draft report contained therein subject to the following amendments (NSC Action No. 393):

- a. The amendments in paragraphs 4, 7-c, 9, 11 and 15, proposed by the Senior NSC Staff by reference memorandum dated December 14, 1950.
- b. The amendment in paragraph 5 proposed by the Joint Chiefs of Staff by reference memorandum dated December 13, 1950.

The President then issued at the meeting the following directive (NSC Action No. 393-b):

NSC 68/3 as amended is approved as a working guide for the urgent purpose of making an immediate start. However, since this paper points out that the programs contained in it are not final, I hereby direct the Secretary of State and the Secretary of Defense to undertake immediately a joint review of the politico-military strategy of this Government with a view to increasing and speeding up the programs outlined in NSC 68/3 as amended in the light of the present critical situation and to submit to me appropriate recommendations, through the NSC, as soon as possible.

This review is not to delay action upon the basis of NSC 68/3 as amended, the implementation of which by all appropriate departments and agencies of the United States Government is hereby directed.

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Auth: EO 11652Date: 10 DEC 1975By: BRENT SANDERSON

NATIONAL SECURITY COUNCIL

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Accordingly, the report contained in NSC 68/3, as amended by the Council and approved by the President, is circulated herewith for implementation by all appropriate departments and agencies of the U. S. Government as directed by the President in the above paragraph.

It is requested that this report be handled with special security precautions, in accordance with the President's desire that no publicity be given the NSC 68 Series without his approval, and that the information contained herein be disclosed only to the minimum number of officials of the Executive Branch who need to know.

JAMES S. LAY, JR.
Executive Secretary

cc: The Secretary of the Treasury
The Secretary of Commerce
The Economic Cooperation Administrator
The Director, Bureau of the Budget
The Chairman, Council of Economic Advisers

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